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A STUDY OF THAI NATURAL COSMETICS INDUSTRY AND PROPOSITION OF MARKETING STRATEGY FOR JAPANESE MARKET

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Summary

An interest in natural cosmetics and products from organic sources has been growing recently. Due to the fact that consumers nowadays are more health conscious and concerned in maintaining body wellness, the consumers would prefer products that are less synthetic with removed chemical in ingredients.

Being one of the world's best known for its richness in authentic food, tourist destination and hospitality services, Thailand has also possessed the vast varieties of herbs for research and development of natural cosmetics products.

With value added features, Thai natural cosmetics satisfy consumers in both functional attribute and aesthetic attribute. Natural cosmetics have had potential and opportunity to grow more substantially especially in Japanese market, the biggest export market of cosmetics from Thailand.

Japanese consumer trend in health consciousness and organic products as well have placed Japan to continue to be the strategic market for Thai natural cosmetics.

However, there are few Thai brands that are currently successful in Japan in term of brand awareness and recognition of products. It is very important for natural cosmetics brands to

implement strategies and marketing activities to cope with these challenges and stronger competitions from domestic competitors and foreign competitors.

Therefore, this research is conducted to achieve two objectives;

- To explore into Thai natural cosmetic and to investigate key success factors to capture business opportunities in international market with an emphasis on Japanese market
- To propose strategies for the companies to improve on the product competitiveness and to be implemented to support growth for international market with an emphasis on Japanese market

The structure of this research begins with the study of Thai natural cosmetics industry from understanding the definitions of natural cosmetics, natural cosmetics market to an analysis of Thai natural cosmetics industry. In the next chapter, Japanese cosmetics market is studied in order to conduct analysis of Thai natural cosmetics products, competitions and opportunities for Thai natural cosmetics brands to better perform in the market.

The third chapter presents research methodology used. The author did in-depth interviews with top Thai natural cosmetics brands to learn about their successful business and key success factors of their brands. The lessons learned significantly contribute the finding and formulation of the strategies to improve product competitiveness and brand awareness in Japan for the case study companies and other brands. The result of this research in recommending Thai natural cosmetics brands in general is that they must create strong brand identity and implement branding strategies to communicate their brand story to end users. In addition, they must select appropriate distribution channels and work with professional distributors to grow their brand in international market.

For the case study companies, brand building activities in Japan are still not sufficient. The potential to create brand awareness of their brands must be strengthened by implementing more PR and event marketing activities. The strategy has to be “ attract” and “retain” .

Connecting more potential target customers can possibly done by expressing the brands more in mass media and online media. Those brands must try to convert people from merely having an awareness in products to experiencing the products and services at the retail stores.

While in retaining customers, case study companies will have to create more CRM activities through organizing events to further emphasize on the brand loyalty through workshops and events. Customized promotional campaign should be offered to Japanese customers.

Lastly, in the long term plan the companies should consider brand extension to café and restaurant business in order to leverage the brand and increase more brand accessibility to potential customers

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CHAPTER I : INTRODUCTION OF NATURAL COSMETICS

SECTION 1: INTRODUCTION

In Thailand, treating illness and maintain good physical appearance from herbs and local medicine have been parts of Thai local cultures for long time. The richness in natural resources has allowed Thai people to utilize the local herbs as main ingredients in making cosmetics and medicines Along with being titled as " The world's best spa" , Thai spa industry has also encouraged more growth in natural products and cosmetics

In addition, there are more concerns toward maintaining healthy lifestyle trends. More people have begun to be interested in selecting products that are from natural ingredients and less synthetic substances. The awareness in healthy lifestyle also brought an attention to use natural cosmetic products in keeping personal hygiene and nourishing beauty and good appearance.

Thai natural cosmetic have been on the major export product lists in many countries around the world and continued to have promising outlook especially in Japan where people are much health-conscious

However, few brands of Thai natural cosmetic products are known among Japanese consumers. The famous ones are " HARNN" and "THANN" that seems to have most prominent stance in the market. Together with increasing competition from Japanese natural cosmetic manufacturers, Thai companies must implement effective strategies and other responsive measures to make Thai brands visible and be preferred by customers.

SECTION 2 : RESEARCH OBJECTIVES

Thai natural cosmetics still have more room to grow in international market especially in Japan's market. Thai entrepreneurs and manufacturers in this filed should capture this promising opportunity to send out Thai pride transcended to products to target customers and other potential customers to cherish our local heritage and quality products by implementing effective marketing strategies and promoting activities. Therefore, this research paper aims to fulfill following objective

- To explore into Thai natural cosmetic and to investigate key success factors to capture business opportunities international market with an emphasis on Japanese market
- To propose strategies for the companies to improve on the product competitiveness and to be implemented to support growth for international market with an emphasis on Japanese market

SECTION 3 : RESEARCH METHODOLOGY

To carry out the research, the author would rely on secondary data sources from related reviews of literature, journals, official websites, and national statistics. With the courtesy of associated companies to be used as case studies, the author will be granted a permission to do in-depth interviews to investigate into more detailed information and up –to date market and business situation in order to gather important aspects and facts for further analysis and development of appropriate strategies

CHAPTER II LITERATURE REVIEWS

SECTION 1: INTRODUCTION OF NATURAL COSMETICS

2.1.1 Definition of cosmetics

In order to enhance the same understanding of the cosmetics products, the chapter would first give product definition. According to Federal Food, Drug, and Cosmetic Act (FD&C Act), Cosmetics is defined as "**articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance**" [FD&C Act, sec. 201(i)]. The products included in the definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colors, and deodorants, as well as any substance intended for use as a component of a cosmetic product.

Even though the previous definition mentioned "cleansing human body", soap is excluded. U.S. Food and Drug administration (FDA)[1] interpret the term of "soap" only to apply when the bulk of the nonvolatile matter in the product consists of an alkali salt of fatty acids and the detergent properties of the article are due to the alkali-fatty acid compounds and product is labeled, sold, and represented only as soap"

In Japan, the regulation that defines "cosmetics" is slightly different. The Pharmaceutical Affaire Law, Charter 4, Articles 12-23 defines cosmetics as "Articles with mild action on the human body, which are intended to be applied to the human body through rubbing, sprinkling or other methods, aiming to clean, beautify and increase the attractiveness, alter the appearance or to keep the skin or hair in good condition."

[1] U.S. Food and Drug Administration, " Is It a Cosmetic, a Drug, or Both? (Or Is It Soap?)." updated 30 Apr, 2012, 26 Feb,2013

Cosmetics is classified into "perfume and eau de cologne" including fragrance, "makeup cosmetic" including foundation creams, lipsticks and eye makeup, "skin care cosmetic" including facial cream, skin lotion, skin milk and cleansing cream, "hair care products" including hair dye, shampoo and hair treatment, and "special -purpose cosmetic including sunscreen" . Under the Act, soaps are classified as cosmetics.

In Thailand, cosmetics was governed by "Cosmetic Act B.E. 2535 (1992) " In the act, cosmetic means " articles intended for applying. rubbing, massaging, sprinkling, spraying, dropping, putting, fumigating, or doing any other acts to part of the body for cleanliness, beauty, beautification, including articles for grooming and embellishing one's complexion, but excluding adornments which are articles for use outside the body."[2]

With many definitions given, the title of this research will indicate "cosmetics" which will cover body care, haircare and facial care products.

2.1.2 What is natural cosmetics?

The exclusivity of cosmetic products mentioned in this thesis is product's main ingredients derived from herbal or natural sources. Consumers nowadays have plenty of choices in organic or natural cosmetic products but not many of them have known of what are really the meanings of "organic" or "natural". Australian Society Cosmetics Chemists (ASCC) publication in 2007 defines "natural" as a material harvested and processed without chemical substances. While "organic" claimed on a products rarely has exact definition, an interpretation of the word "organic" will be derived from " organic agriculture" which yields raw materials and ingredients to be used for cosmetic products. Organic agriculture is an ecological farm management system that promotes biodiversity, enhances soil fertility, prevents topsoil erosion, protects groundwater, conserves energy and protects our next generation.

[2] Thailand, Food and Drug Administration , " Cosmetics Act B.E. 2535(1992)" Bangkok : Ministry of Public health, 31 Mar.1992 p. 95

Organic agriculture; moreover, prohibits genetic engineering, pesticides, synthetic fertilizer, antibiotics and growth hormones.

To guarantee of the authenticity and integrity of natural and organic ingredients, certification by government and independent certification organizations are necessary.

Examples of the certifications are Australian certified organic (ACO), United States Department of Agriculture Organic (USDA organic), COSMEBIO(The Professional Association for Natural, Ecological and Organic cosmetics), BDIH (Certified Natural Cosmetics) and Natrue

Figure 1: Certified organic product seals by relevant organizations.

Source : official websites of organization

Obtaining certifications is beneficial for promoting products and ensuring customers' confidence. Because consumers nowadays are rich with information about products from traditional media and online media, they can be educated on product ingredients, manufacturing process and product packaging. These factors can place an importance on buying decision.

Nevertheless, applying for certifications usually requires time, costs and lots of paperwork. Approval time and process are obstacles for manufacturers markets especially in foreign countries that require manufacturers to comply with local rules and regulations regarding the products.

2.1.3 Introduction of cosmetics product categories

Products fall under cosmetic are more in variety due to their purpose of use. By product functionality, cosmetics can be personal care products, toiletries and color cosmetics which are make-up products.

This research paper will focus mainly with personal care products (bath & body care and hair care products) and skincare product that are used interchangeably with facial care product.

The definition of personal care products according to US National Science Foundation (NSF)[3] is " A non-medicinal consumable product that is intended to be used in the topical care and grooming of the body and hair and that is rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to a body, human or animal, for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions.

Therefore, to classify into categories, personal care products mentioned in this research will cover bath& body care category and hair care category.

To explain more in details about facial care products and personal care products, bath& body care and hair care categories, product SKUs (Stock Keeping Unit) as examples of product category will depend on brands and manufacturers as well as given product name or titles.

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[3] US National Science Foundation (NSF),Personal care product council, " comments on definition" http://standards.nsf.org/apps/group_public/download.php/1055/Comments%20on%20Definition%20section.pdf

In Bath& body care, the category will include bath& personal cleanliness products, body care or skincare products (creams, powders and sprays). For example, bar soap, shower gel, body wash, body scrub, body massage oils, moisturizer& lotion, body soufflé and hand care can be listed.

Hair care category is intended to help maintain good control of the hair to be in healthy and desirable manners. It can contain shampoo, hair conditioner, nourishing oil treatment etc.

The last category of skin care(facial care product) which features products that are used for [4] " the maintenance of face and its features such as the skin, lips and eyelashes so that it has an attractive, youthful appearance " Facial care products are for example ; facial cleansing liquids, facial foaming wash, facial scrub facial toner, facial serum, anti-aging creams, facial mask, face mist and lip nourishing /hydrating gel etc. Some of brands might offer particular product lines so as to solve customers' skin problem or concerns such as anti-aging, sunscreen& protection, acne care etc.

In addition, cosmetics products can be classified by the **Harmonized System (HS)** which is an international classification system standardized between countries for merchandise and commodities. The standard established by " The world Custom Organization" constitutes a foundation for understanding trade statistics and export data for internationally traded goods and merchandises subjected to customs and tariffs.

Assigned HS codes for cosmetics are in chapter 33: Essential oils and resinoids; perfumery, cosmetic or toilet preparations. Under the chapter, there are heading codes specifying certain product categories as to be shown as follows;

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[4] Douglas Hamilton, Babak Azizzadeh (2009) Beverly Hills Beauty Secrets, "facial care definition"

Table 1:HS 33 product codes and description

Heading Codes	Heading Description
3301	HS Codes of Essential oils (terpeneless or not),including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats,in fixed oils, in waxes or the like, obtained by enfleurate or maceratin; terpenic by-products of the deterpenat
3302	HS Codes of Mixtures of odoriferous substances and mixtures (including alcoholic solutions) substances
3303	HS Codes of Perfumes and toilet waters
3304	HS Codes of Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations
3305	HS Codes of Preparations for use on the hair
3306	HS Codes of Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages
3307	HS code of Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations.

Source :The world custom organization

Chapter 34 is the chapter of Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes Polishing or Scouring Preparations, Candles and similar Articles, modeling Pastes, "Dental Waxes" and Dental Preparations with Basis of Plaster.

Table 2: HS34 product codes and descriptions

Heading Codes	Heading Description
3401	HS code of Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes,
3402	HS code of Organic surface-active agents (other than soap), surface-active preparations, washing preparations (
3403	HS code of Lubricating preparations (including cutting-oil preparations, bolt or nut release preparations
3404	HS code of Artificial waxes and prepared waxes
3405	HS code of Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders and similar preparations (whether or not in the form of paper, wadding, felt, non-wovens, cellular plastics or cellular rubber, impregnated, coated

Source: the world custom organization

SECTION 2 : THAI NATURAL COSMETICS INDUSTRY

2.2.1 History and development

The natural cosmetic industry in Thailand has grown steadily in the past decade. Due to the country’s richness in natural resources and local herbs, the resources constitute a great part in an application of those raw materials and ingredients in Thai traditional medicine and natural remedy for treating illness.

Curing aliments by utilizing the local herbs have long been practiced by Thai people since old days. This is because medical advancement was not improved and affordable by most people whose incomes were low or those who lived in remote and rural areas. Together with consumers' concerns in maintaining healthy lifestyles and body wellness and external environments, demands for products that are from natural forms and have less effects on environments are increasing.

Manufacturers then have taken this opportunity to market their products to well suit with customer's trends. They also see potential for natural cosmetic products that are value added in term of price or differentiated features that mainstream products might not offer. The trends go along with increasing demands for "food supplementary products, spa& wellness products and services.

2.2.2 Domestic market

Thailand has grown around 10-20% annually in local cosmetics industry in the last 10 years Domestic sales in 2010 posted at 50 billion baht[5] increased from the previous year by 25% percent. Being considered one of the most advanced cosmetics market in Asia, Thailand can gain big advantages from plentiful natural resources and good reputation of natural drugs and herbal medicines for natural cosmetics in more emerging markets.

Thai cosmetic manufacturers are largely divided into 3 groups. The big enterprise (more than 200 employees) is accounted for 5%, medium enterprise (51-200 employees) is at 20% and small enterprise(less than 50 employees) is 75%. Domestic market is segmented by two groups, make-up products and skincare products.

[5]Kwanchai Rungfaparn The Nation, March 26,2011" Bright future awaits Thai cosmetics industry"

Figure 2: Thailand cosmetic market segmentation by values (2003)[6]

Skin Care	
Product	% Share
Facial care	46.90%
Body care	37.20%
Sun care	7.50%
Depilatories	6.60%
Hand care	1.80%

Make Up	
Product	% Share
Face make-up	35.50%
Nail make-up	30.00%
Lip make-up	18.60%
Eye make-up	15.90%

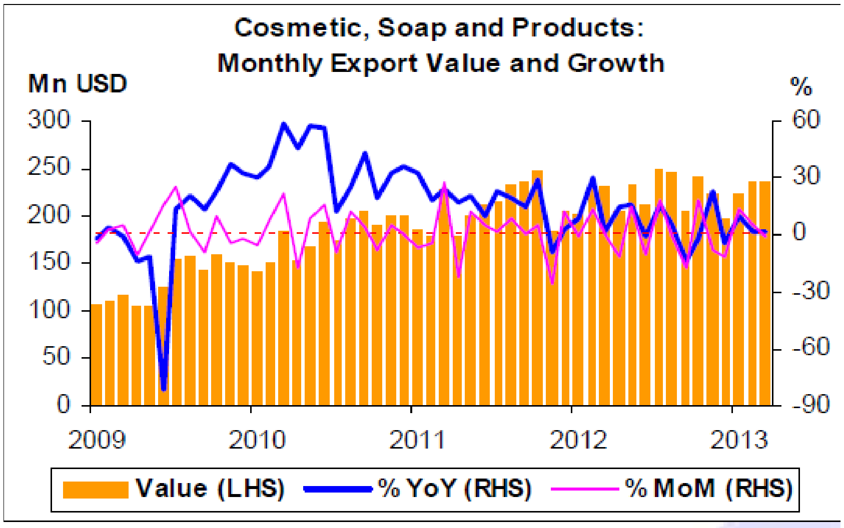
Channels of sales for natural cosmetics are mostly through specialty stores for brands with high-end and luxurious positioning and free standing counters in cosmetics sections or home –decorative sections in department stores. Moreover, natural cosmetics product placements are through amenities in hotels, airline lounges, premium dining restaurants or other luxurious venues.

2.2.3 Export market

The export market for Thai natural cosmetics has steadily grown over past years. According to Bangkok Bank research department, cosmetics, soaps and skincare products for March 2013's export amounted for 235.4 million USD (figure3) at 1.7% increase Year –Over-Year (YOY)

[6] Methavee Ruengsinpinya, , 2011, " COMPARISON OF MARKETING STRATEGIES BETWEEN JAPANESE AND KOREAN COSMETICS COMPANIES IN THAILAND'S MARKET"

Figure 3: Thailand's monthly export values of cosmetic, soap and products



Source: Bangkok Bank research department

To consider the export number as of the first quarter of 2013 which amounted for 693.3 million USD (figure4), a growth rate of 4.6% (YOY) and 5.2% Quarter –over-quarter (QOQ) was achieved.

Figure 4 : Thailand's quarterly export values of cosmetic, soap and products

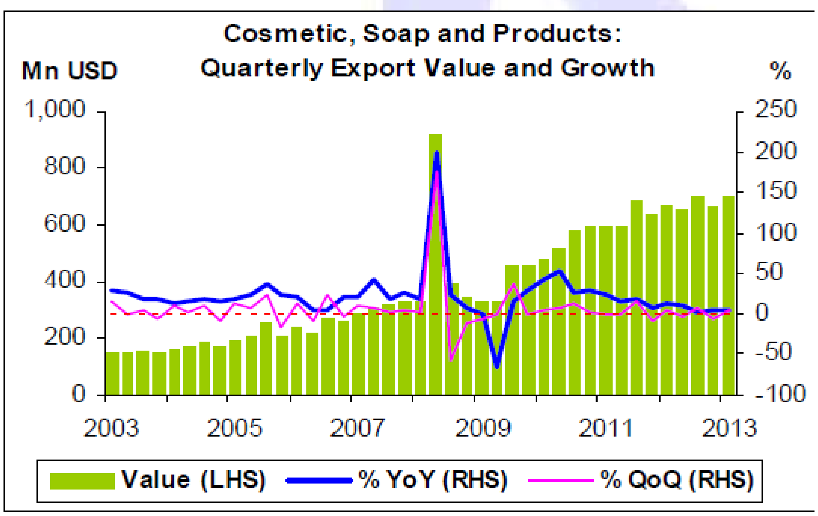
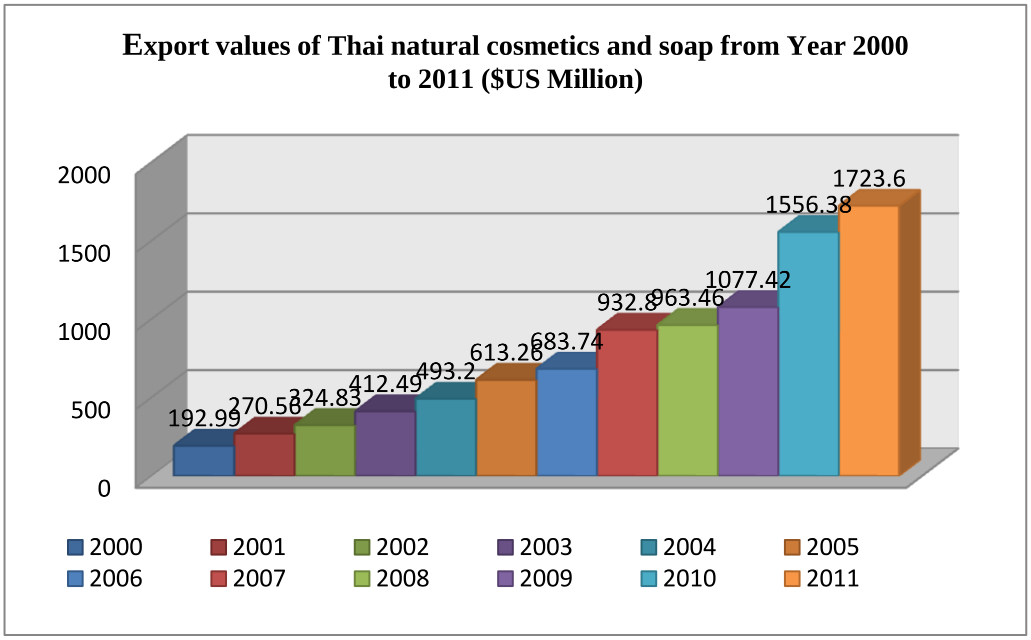


Figure 5: Export values of Thai natural cosmetics and soap



Source: Department of Export, Thailand

Major Export markets are main markets which are Japan, Indonesia, Malaysia, Philippines, Australia and Cambodia. The second market is emerging market which represents markets that have potential to grow at high percentage of growth. Those markets are Vietnam, Myanmar, Singapore, China, Hongkong, United Arab Emirates, India, Taiwan and the UK.

Figure 6 : Export of Thailand classified by commodity (HS33)

EXPORT OF THAILAND CLASSIFIED BY COMMODITY

Jan. - Apr. 2013

33 (KG) Essential oils and resinoids ; perfumery ; cosmetic or toilet preparations

VALUE : BAHT

No.	Country	Apr.			Jan. - Apr.		
		Quantity	Value	% Share	Quantity	Value	% Share
WORLD		31,907,096	4,410,788,343	100.00	141,818,867	19,713,551,332	100.00
1	JAPAN	6,945,029	1,238,787,106	28.09	28,519,579	5,630,795,775	28.56
2	INDONESIA	4,467,428	505,514,560	11.46	18,196,151	2,064,943,761	10.47
3	MALAYSIA	2,875,842	309,247,093	7.01	13,564,524	1,447,355,958	7.34
4	PHILIPPINES	3,058,879	239,184,118	5.42	16,376,743	1,265,444,794	6.42
5	AUSTRALIA	2,162,514	250,225,585	5.67	10,375,459	1,178,918,384	5.98
6	CAMBODIA	1,388,980	230,479,961	5.23	5,492,573	926,993,255	4.70
7	MYANMAR	802,400	163,710,866	3.71	3,489,500	677,294,337	3.44
8	SINGAPORE	767,149	108,785,251	2.47	4,335,087	584,423,130	2.96
9	VIETNAM	763,543	131,440,107	2.98	3,373,020	560,812,068	2.84
10	S. KOREA	844,588	102,462,592	2.32	4,632,838	526,603,937	2.67

Figure 7: Export of Thailand classified by commodity (HS34)

EXPORT OF THAILAND CLASSIFIED BY COMMODITY

Jan. - Apr. 2013

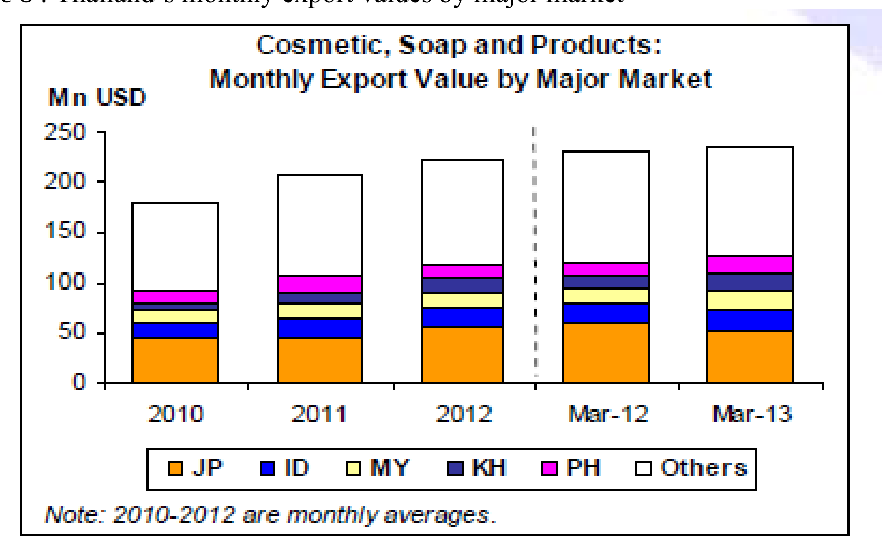
34 (KG) Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modeling pastes, "dental waxes" and dental preparations with a basis

VALUE : BAHT

No.	Country	Apr.			Jan. - Apr.		
		Quantity	Value	% Share	Quantity	Value	% Share
	WORLD	34,594,643	1,763,410,959	100.00	141,230,978	7,524,899,933	100.00
1	CAMBODIA	3,895,464	206,913,898	11.73	16,620,740	869,233,046	11.55
2	VIETNAM	4,411,466	159,071,798	9.02	15,880,147	687,863,294	9.14
3	MALAYSIA	3,877,401	151,467,681	8.59	15,871,861	634,196,449	8.43
4	JAPAN	2,114,033	129,022,008	7.32	9,053,403	605,830,361	8.05
5	MYANMAR	1,929,133	99,273,785	5.63	9,167,151	562,044,300	7.47
6	INDONESIA	2,577,254	123,474,522	7.00	8,651,558	455,518,951	6.05
7	CHINA	2,177,330	106,436,100	6.04	8,008,477	415,335,307	5.52
8	AUSTRALIA	1,643,399	90,557,376	5.14	7,439,608	414,768,220	5.51
9	LAOS	2,300,020	106,813,716	6.06	8,516,328	403,677,274	5.36
10	PHILIPPINES	1,758,827	77,501,901	4.39	8,459,433	380,486,408	5.06
11	SINGAPORE	979,883	60,292,038	3.42	4,011,091	239,865,270	3.19
12	HONG KONG	1,275,498	90,867,973	5.15	4,810,863	221,676,937	2.95
13	UNITED KINGDOM	557,716	39,049,924	2.21	2,503,353	172,306,022	2.29
14	U.S.A.	483,653	40,112,075	2.27	1,889,778	159,779,690	2.12
15	INDIA	642,528	38,016,704	2.16	2,297,030	151,999,811	2.02

Source: Ministry of Commerce, Thailand

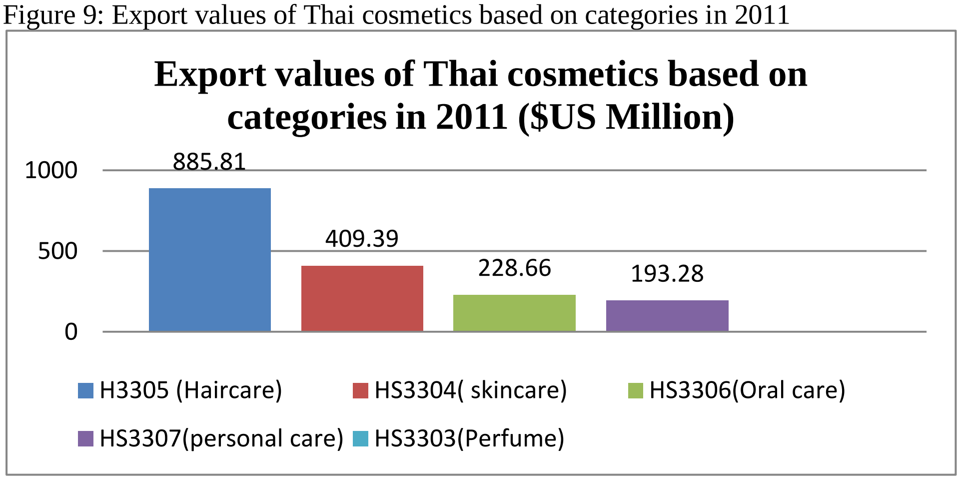
Figure 8 : Thailand's monthly export values by major market



Source : Bangkok Bank Research Development

It is obvious that Japan has been number one importing country of Thai cosmetics, soap and products (23.4%) succeeding by Indonesia, Malaysia, Cambodia and Philippines with share of 9.1%, 7.8% , 6.5% and 6.4% respectively. Looking at exported goods, the highest exported values go to hair care products (HS3305) products followed by skincare products (HS3304).

Figure 9: Export values of Thai cosmetics based on categories in 2011



Source: Global traded Atlas (2012)

2.2.4 Current brands and channels of sales

Although accounting for small percentages of the total cosmetics industry in Thailand, Natural cosmetics are prevailingly available in Thai market and international markets. There are several groups of brand based on size, positioning, target market. Thai natural cosmetic brands are offered from traditional and low priced brands sold mainly in domestic market to high and luxurious brands which have their own spas and international market share. Prices are from 30 baht per a bar of soap to as high as 500 baht per one bar of soap.

Channels of sales for natural cosmetics in Thailand are through mass merchandisers e.g. supermarket, local cosmetics shop for cheaper brands but for higher price “brand concept shop” with high-end and luxurious positioning and stand alone counters in cosmetics sections or home –decorative sections in department stores. Some cosmetics brands also operate spa and massage parlors. Spa goers can select products from product corners in the spa after they finish treatment or massage session.

Natural cosmetics product placements are also through amenities in hotels, airline lounges, premium dining restaurants or other luxurious venues.

Figure 10: Different channels of sales of Thai natural cosmetics

2.2.5 Current policy and Support from Thai authorities

In an attempt to create values of brands and products and to open business opportunities, Thailand has adopted the notion of creative economy and proposed the strategic agenda for action plans. Creative economy was first introduced by John Howkins in his book, **" The Creative Economy, How people make money from ideas."** His given explanation is "The creation of value as a result of ideas,"

"The Creative Economy is a comprehensive analysis of the new economy, based on creative people, creative industries and creative cities" [7].

Under the new economy, there will be relevant creative industries that are to be important and futuristically able to generate creativity, knowledge, and information that are to be used to promote value creation in products or services for profit proliferation and competitiveness while at the same time promoting social inclusion, cultural diversity and human development.

Merits from complying to the idea of creative economy will also create jobs, income, intellectuality & work skills and export earnings for people who are associated in the creative industries. The successful cases of applying cultures to products or doing marketing by incorporating places or Country of origin (COO) to create trends or adding the special interests for consumers to buy more are the trustworthy hand watches from Switzerland or limited editions of Kit Kat chocolate bar from Nestle Japan. The packages and flavors are designed based on local food cultures from different prefectures in Japan. The customers then are excited to buy the product markets to try new flavors or keep them as their collections. For example, Nestle adopted places in marketed chocolate bars with flavors from different prefectures in Japan

[7] John Howkins, The Creative Economy. How people make money from ideas,

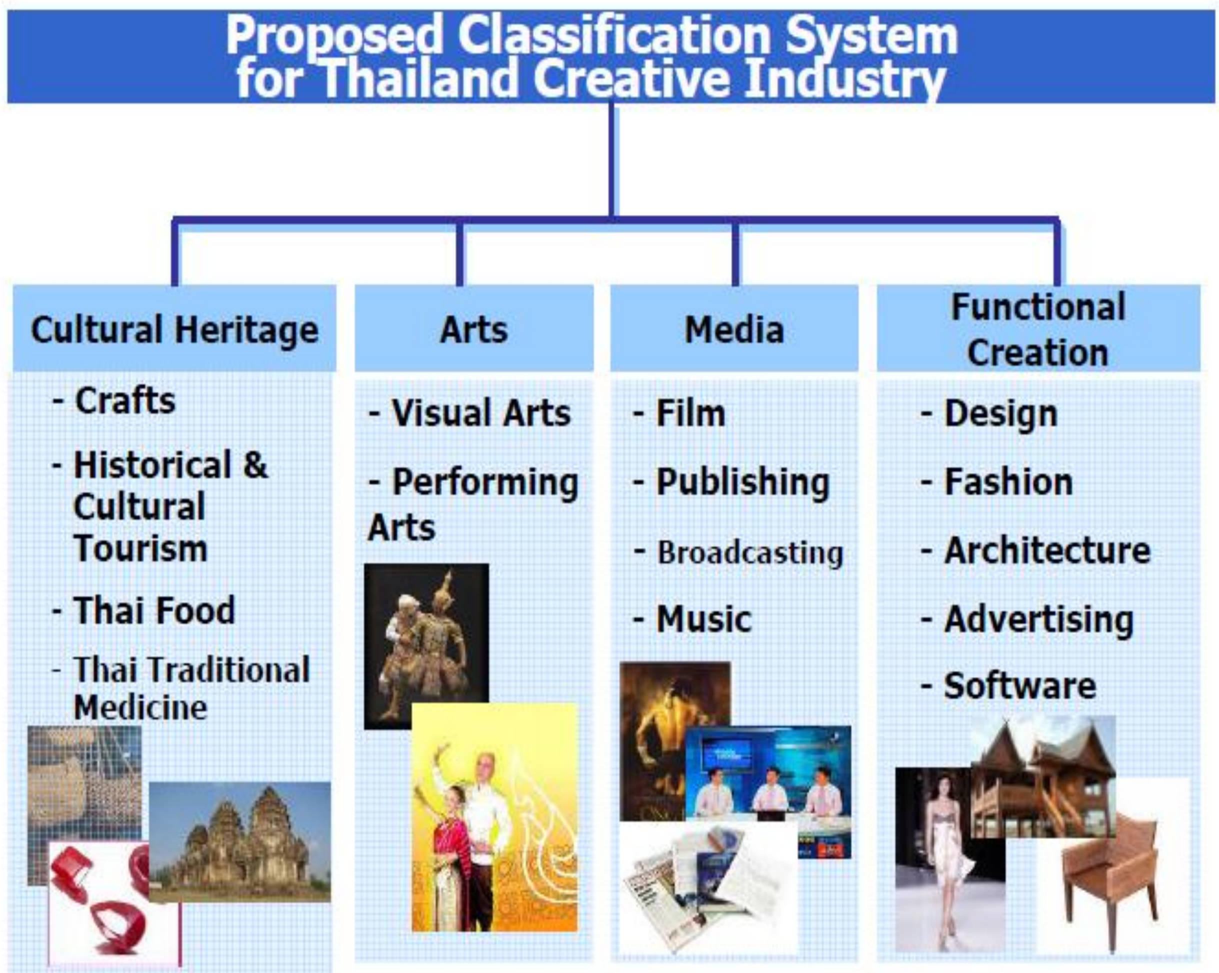
The Penguin Press, 2001

Figure 11: Japanese product adopted by Place marketing under creative economy

Source : Culture industry, Department of industry promotion journal, Nov-Dec,2012 issue.

While creative industries vary country by country, proposed classification system for Thailand creative industry contains 4 different industries which are cultural heritage, arts, media and functional creation.

Figure 12: Thai creative economy industry



Source : The 10th National Economic and Social Development Plan and
Creative Economy, Office of the National Economic and Social Development Board, NECTEC Annual Conference & Exhibition 2008, September, 24, 2008

From the figure, the creative industries are obviously those which are highly linked to the uniqueness in Thai cultures& tradition and the skill intensive workforce. These are main drivers for creating originality and value-added finished products that would support product differentiation and attention among target customers.

Thai natural cosmetics industry even though is not classified clearly in one of the creative industries, it still indirectly related to Thai traditional medicine category. It is significant to be included so that more export opportunities and competitiveness will be developed.

Under the current leadership of PM Yingluck Shinawatra, The ministry of health is assigned to promote and develop the country to be **"world center for health services"** by taking the strategic plan to identify "product excellence" to create more income –earning opportunities and monitor the impact of value added services. The value addition will result in knowledge based product development and innovation in medical services, health promotion and wellness e.g. spa, Thai massage, long term preventive care , traditional and alternative medicines and health related products including the use of Thai herbs in foods, pharmaceuticals and cosmetics[8].

Therefore, several measures have been taken to help manufacturers in the industry to improve for their capacity and efficiency along the entire chain from manufacturing to making transactions with oversea customers.

The ministry of commerce and sub-departments supervise manufacturers in this field for exporting and international trades. These organizations will play a role in offering information service and trading services. They will also organize trade fair and trade shows to participating companies for business match making for both domestic and international businesses.

Selected companies can be subsidized for the exhibitor's booth space expenses during trade show periods. The responsible departments are ;

Department of Foreign trade , Ministry of Commerce

Department of Trade negotiation, Ministry of commerce

Department of International Trade Promotion

[8] Royal Thai government, subcommittee on content development and Office of National economic and social development board for World economic forum on east Asia 2012 " Thailand competitiveness report 2012"

Moreover, , private organizations and associations are established for educating players in the industry to have better understanding in the business or giving trainings, workshop or seminars for members to create networks with other professionals in same industry to fertilize business opportunities and knowledge sharing. Membership can be free-of-charges or annual subscription.

Those organizations are as follows,

Thai Spa association

Asia Pacific Spa& wellness coalition

Thai cosmetics manufacturers association

In developing Thai natural cosmetics industry for sustainable growth, the supports from governmental authorities for manufacturers are still not sufficient to address on problems and challenges that some manufacturers have been facing.

From the study by university of Thai chamber of commerce, manufacturers have had difficulty in product developments and business operations. The problems can be classified by 3 aspects ;

1. Access to services and service providers from governmental sectors
2. Knowledge development and management
3. Access to capital and investment funds.

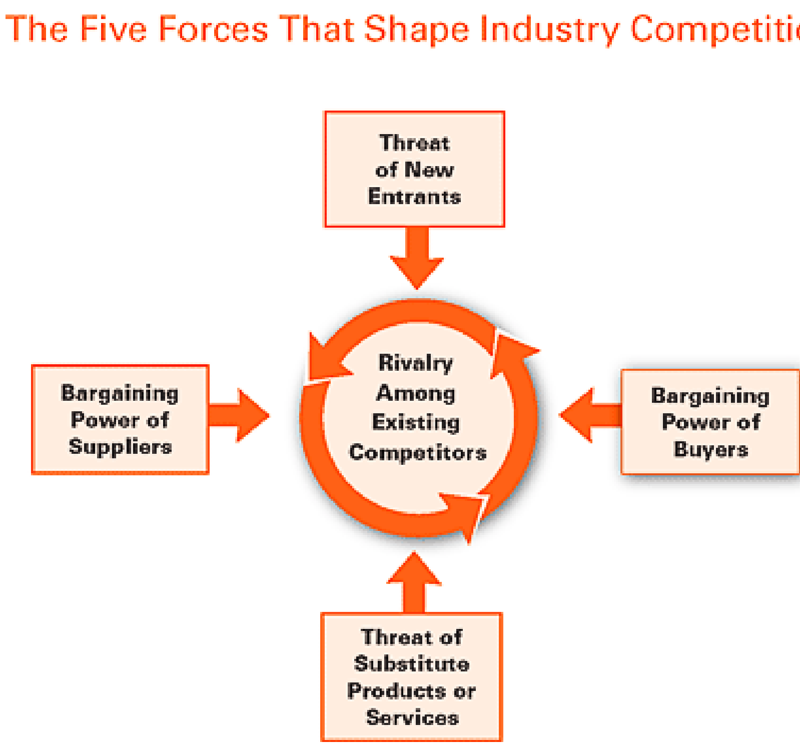
Therefore, strategic development plan addressing the problems must be developed by incorporating with all responsible organization.

SECTION 3 : ANALYSIS OF THAI NATURAL COSMETICS INDUSTRY

This section is dedicated for analyzing the industry and the product itself in order to find the core competency and current problems occurring in the industry and to explore the product competitiveness especially in export markets. Relevant frameworks will be used.

2. 3.1 Five force analysis

Figure 13: The five force analysis model



Source: The Five Competitive Forces That Shape Strategy by Michael E. Porter

The framework directly relate to 4 important parties which are the company itself, competitors, suppliers, customers. To begin with, buyers and suppliers will be analyzed for identifying the difficulties in negotiating with both parties influencing profit margins or drivers of cost.

Bargaining power of suppliers

For natural cosmetics brands, bargaining power of suppliers is **medium to high** because brand owners hire professional cosmetics manufacturers to produce the finished products.

Price of herbal ingredients and manufacturing costs will vary by factors such as buying volume, cultivating season, and quality of herbs. Suppliers still have high bargaining powers because natural cosmetics are only niche portion of their main manufacturing lines. However, for other personal care FCMG and multinational cosmetics brands, bargaining power of suppliers is low because the large orders placed by those brands.

Bargaining power of customer

Customers buy cosmetics products have **high** bargaining power due to several factors as follows,

Availability of products

Customers now have very similar products available in the markets. Even Thai originated herbs e.g. lemon grass or jasmine are becoming popular with many available product lines

Customer education

Internet and online social media are two crucial tools for customers to find information about herbs, organic products. Customers become more educated and more powerful in making purchase decision due to lots of product reviews websites, personal and cosmetics guru blog.

More sophisticated demands

Products can no longer be only attractive inside but must have an impressive outside look. Packaging is another brand's concern that requires careful design. Some customer groups are more concerned with environmental factors. Soy-ink printed paper box or biodegradable containers can be one unique feature to attract more customers**.** Many brands now have registered their IPs for their specially designed packaging.

Threats of new entrants

For new entrants to natural cosmetics industry in Thai market, threats of entering may not be very high especially for low end market segments. However, the threat of new entrants to cosmetics industry is then **low** for those new comers who are aiming for export market due to;

Brand values and customer loyalty

Many brands in natural cosmetics product want to make their way to international market. The business may not be that difficult to start and have products readily available because ingredients and manufacturers are easily available. However, they must go through one important step in creating their own brand values and loyal customer base, not to mention the R&D of new formula to create something new and different in the market.

Good and highly profitable foreign markets have been mostly taken by big brand names entered into those markets. They have successfully obtained margins in most strategic markets. New comers then are very difficult to be able to compete with.

Market study and local distributorship

Oversea markets are complicated due to differences in customer's demographic, preferences, sales channels and regulations. Manufacturers or brand owners must have in-depth understanding of the market based on well- round information and the analysis of the market so that they can implement the right fit strategy. Local distributors are another concern that brand owners have to consider how products are pushed through different sales channels. Most of the time, distributors will have the crucial role in helping to increase brand awareness, choose the right channels for product placement. The promotional media selection is also important.

With cooperative distributors, companies can better perform and be able to indirectly reach to end users or target customers. New entrants will find it very difficult to build such strong sales channels especially those brands which do not have sufficient capitals and experiences in oversea markets.

Threats of substitutes

Threat of substitutes is **medium to low** because of the differentiated values of natural cosmetics. Natural cosmetics and personal care products are usually priced high and more expensive because of high costs in research& development for organic formulas, purely natural ingredients, manufacturing process and packaging designs. Therefore, mass products or ordinary cosmetics are easy choice for many customers.

However, natural cosmetic products have niche customer segments of which are willing to pay extra in return with good quality. Maintaining good quality and good customer services, unique store must be prioritized so that the customers will be retained with particular brands or product usages.

Rivalry among existing competitors

Intense competition

The cosmetic industry itself is **very competitive** with big players from multinaltional corporations/ brands such as uniliver, P&G , Kao.The natural cosmetic industry is less competitive. Same situation is applied to natural cosmetics industry.

In Thailand, there are many markets ranging form low to luxurious market. These market are classfified mainly by prices, product/brand positioning. These two factors will result in different product quality and promotion. Local made herbal or natural soaps or other products can be sold at local mom-and pop shops or beauty stores etc. and priced from only 30baht per one bar of soap.

Higher positioned brands will differentiate themselves with more scientifically proven product testing results, better quality of ingredients, well-designed packaging and product placement in luxurious department stores or their own store.

Thai brands face fierce competiton in domestic market because foreing brands are favorably by customers in general . The country of origin is valued amoung Thai customers. In export markets are competitive because Thai brands offer unique cultural attributes that are attracted by foreign customers.

2. 3. 2 SWOT analysis

To identify key important factors for developing Thai natural cosmetics to better perform in foreign markets. It is necessary to apply the concept of SWOT analysis.

Table 3: SWOT analysis of Thai natural cosmetics

Strength	Weakness
• Access to raw materials and product R&D from traditional medicine practices and richness in herbs and natural ingredients. • Availability of laboratory, quality measurement standard issuance organizations for product reliability • Modern R&D technology and facilities to ensure high quality • Supports from government. Tradeshow and trade fairs are organized by many organizations namely, Ministry of commerce[9], Department of international trade promotion for new business matching or educational purpose on doing export.	• Bad images of copied products or illegal product and product safety. • Country of origin (COO) is still inferior to western countries e.g. France, Italy, UK, US or Asian countries e.g. Japan and Korea. • Brand recognition and awareness are not well supported by effective marketing& PR activities. • Insufficient knowledge in international trade or target market study. Language can be another obstacle. • Reliance on local distributors in foreign markets narrows down sales opportunities

[9] " Ministry of Commerce, " Export of cosmetics and pharmaceutical cosmetics boost up" Thai rath newspaper economic section, July2012 http://www.thairath.co.th/content/eco/275000

Opportunity	Threat
• Global trend toward "health& wellness." People have begun to be more health conscious and maintain balanced life style from doing exercises or going to massages& spa. • Concerns on chemicals effects on health and natural environment. • More economic integration would allow more business cooperation or opportunities for new emerging markets e.g. AEC countries, Arabic countries. • Increase in consumer purchasing power in emerging markets. Middle to high income people would be more interested to pay extra for high quality products & services and more customized product features. • Benefits from Thailand's tourism industry and medical tourism. The two sectors can bring more tourists.. They will be increasing demands for natural cosmetics as souvenirs from Thailand.	• New players are coming into world's market especially those who are from the same Southeast region which have similar raw materials • Current big players are more interested in launching new product lines that also use Thai raw materials e.g. Jasmine, Rice, Lemon grass. • Time consuming procedure and high costs in obtaining product certifications for manufacturing and product R&D research approvals necessary for export markets.

CHAPTER III : OVERVIEWS OF JAPANESE MARKET

SECTION 1 : BACKGROUND AND CURRENT INVOLVEMENT

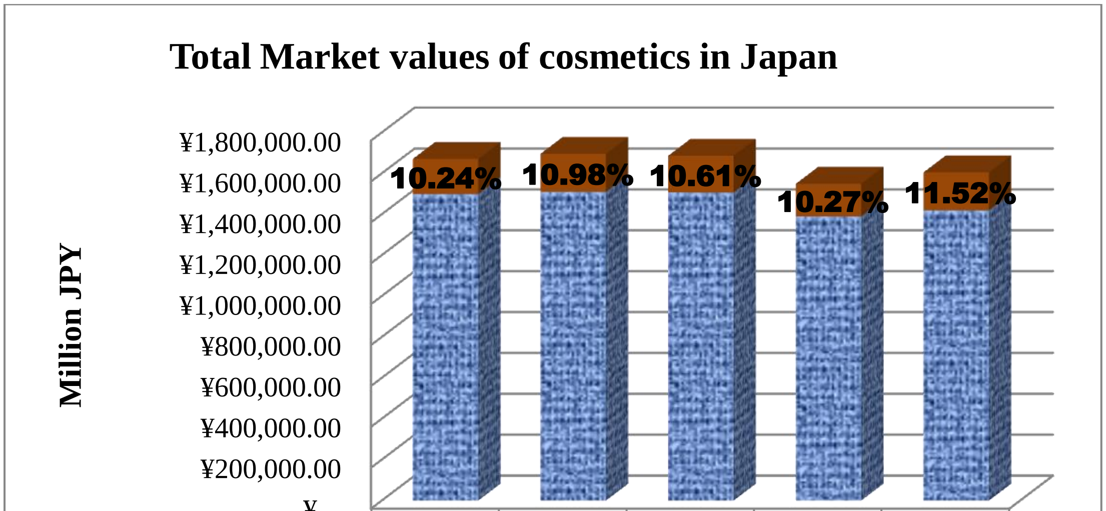
3.1.1 Background and Japan's cosmetic industry

Being one of the most biggest and complicated cosmetic market, Japan acquired the title as the "world's second largest market value at ¥1.605 trillion including import in 2010. The biggest market was USA which their Domestic shipments only were at approximately 1.4 trillion from late 1990 to 2004 and have been staying at ¥ 1.5 trillion ever since.

Japan's domestic shipment once slightly dropped in 2008. Together with the slowdown in economy, domestic shipments had significantly decreased by 7.8% in 2009 before recovering again in 2010 to the level at ¥ 1.4 trillion.

Nevertheless, imports of cosmetics had been slightly dropped from 2007 due to similar factors such as Lehman shock in 2008 and sluggish consumer demand in 2009. Until 2010, imports began to pick up again by 20.3% from the previous year because of the substantial growth in import of hair care products, resulting in 75% increased. This increase resulted from the relocation of manufacturing plants to Thailand and other Asian countries by major foreign affiliated manufacturers.

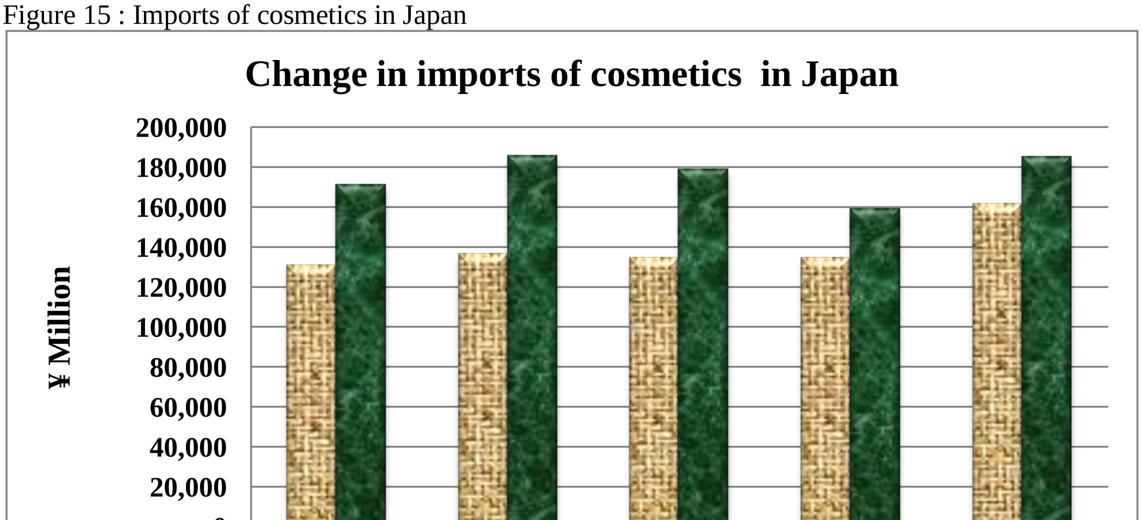
Figure 14 : Total market values of cosmetics in Japan



	2006	2007	2008	2009	2010
Import	¥171,057	¥185,600	¥178,932	¥159,083	¥185,025
Domestic Shipment	¥1,499,7	¥1,510,1	¥1,507,1	¥1,390,2	¥1,419,9

Source: JETRO

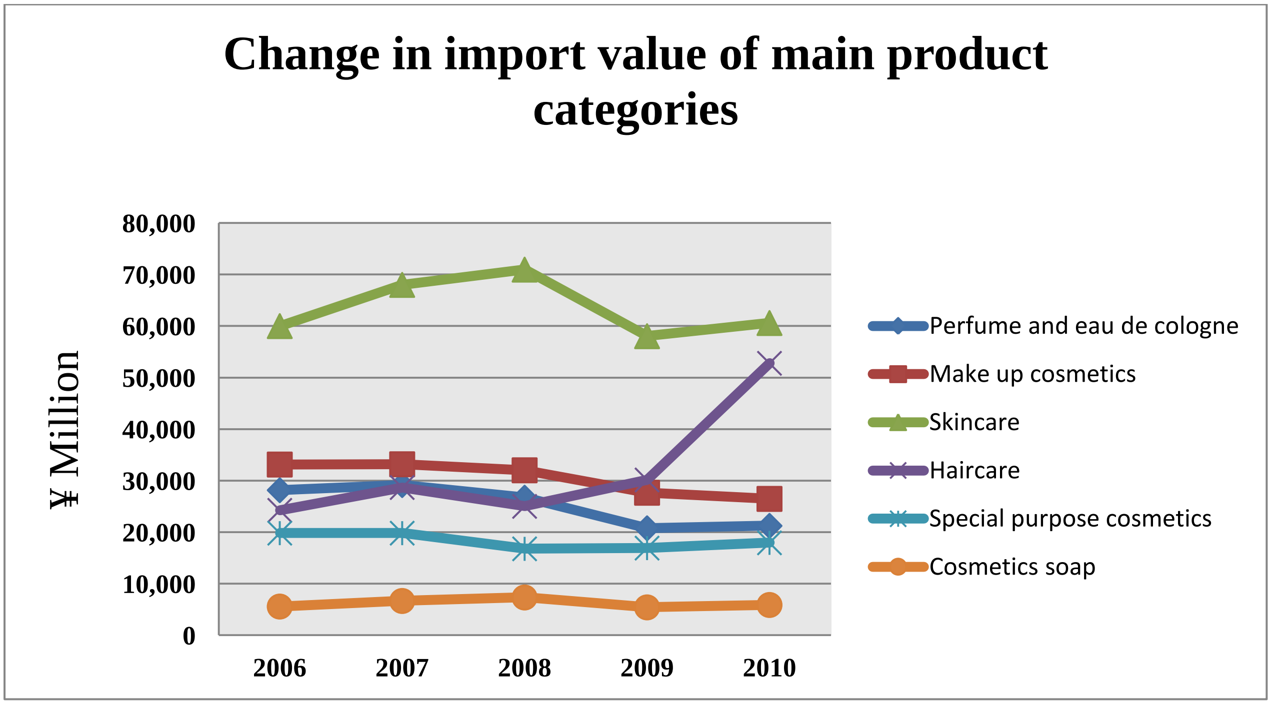
Figure 15 : Imports of cosmetics in Japan



	2006	2007	2008	2009	2010
volume	130,843	136,318	134,403	134,431	161,673
value (tons)	171,057	185,600	178,932	159,083	185,025

Source: JETRO

Figure 16: Import value s of main product categories in Japan



Source: JETRO

To break down imported volume in the product category, 2010's skin care cosmetics registered at ¥60.62 billion, 32.8% of all imports followed by hair care products at ¥52.8 billion, 28.5% share, makeup cosmetics at ¥26.94 billion, 14.3% share and perfume and eau de cologne at ¥21.26 billion, 11.5% share.

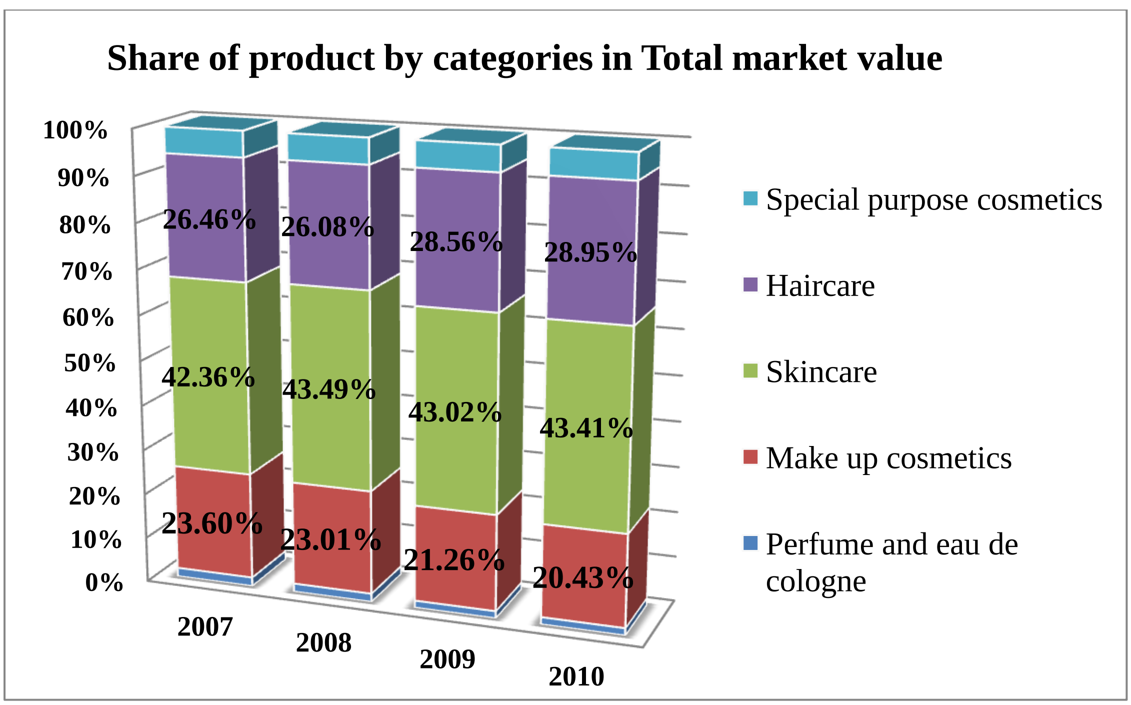
To consider the entire market, skin care product is the category that has the largest share at around 43%. Hair care products earn approximately 28% and make up products at 22%.

Table 4 : Import market sales results by product category in Japan (¥ Million)

Year	Perfume and eau de cologne	Make up cosmetics	Skincare	Haircare	Special purpose cosmetics	Cosmetics soap	Total
2006	28,175	33,156	60,023	24,269	19,837	5,597	171,057
2007	29,170	33,206	68,015	28,691	19,837	6,681	185,600
2008	26,720	32,039	70,979	25,037	16,799	7,358	178,932
2009	20,788	27,685	58,063	30,167	16,939	5,441	159,083
2010	21,255	26,487	60,617	52,798	17,965	5,904	185,026
	126,108	**152,573**	**317,697**	**160,962**	**91,377**	**30,981**	

Source: JETRO

Figure 17: Share of product by categories in Total cosmetics market value of Japan



Source : JETRO

Thailand has been among the top 5 rank in importing cosmetics to Japan. Imports from France has remained the highest in values in three main categories, perfume and eau de cologne, skin care and make up products.

Figure 18: Import figures of cosmetics to Japan by countries

	2006	2007	2008	2009		2010				
	Value	Value	Value	Value	Volume	Value		Volume		Average unit price
France	55,594	57,022	57,574	48,485	9,408	50,252	26.9%	9,915	6.1%	5,068
Thailand	12,136	17,762	13,377	20,189	49,689	41,508	22.2%	66,305	40.5%	626
U.S.A.	36,983	38,749	37,101	31,781	18,995	31,967	17.1%	19,708	12.0%	1,622
China	15,317	14,602	13,645	12,665	16,894	14,132	7.6%	21,767	13.3%	649
Korea	3,867	3,660	6,688	7,080	3,699	7,149	3.8%	5,209	3.2%	1,372
Italy	9,092	10,982	9,154	7,109	1,487	6,495	3.5%	1,532	0.9%	4,240
U.K.	6,084	7,418	6,755	4,778	1,410	5,377	2.9%	1,877	1.1%	2,864
Germany	6,572	7,349	7,963	5,866	2,469	5,306	2.8%	2,576	1.6%	2,060
Canada	2,541	2,563	3,682	3,046	2,309	3,377	1.8%	3,190	1.9%	1,059
Spain	2,582	4,017	3,958	2,922	4,721	2,975	1.6%	4,591	2.8%	648
Others	22,295	23,483	21,042	17,172	25,357	18,497	9.9%	27,014	16.5%	685
Total	173,063	187,607	180,940	161,092	136,440	187,035	100.0%	163,683	100.0%	1,143
(EU)	89,345	96,420	93,190	74,586	20,383	75,116	-	21,384	-	3,513
	51.6%	51.4%	51.5%	46.3%	14.9%	40.2%	-	13.1%	-	-
(Asia)	39,274	44,397	42,310	47,133	91,592	71,240	-	115,319	-	618
	22.7%	23.7%	23.4%	29.3%	67.1%	38.1%	-	70.5%	-	-

Units: value = ¥ million, volume = tons

Source: Trade Statistics (MOF)

Note: Total is not always the simple sum for each column due to rounding.

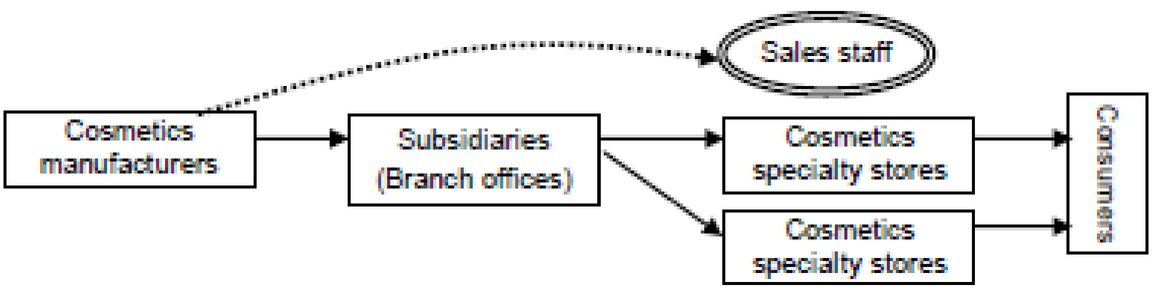
Source: JETRO

3.1.2 Domestic Distribution channels

Several distribution channels are established for sales and marketing communications to end users or target customers in Japan

Price maintain merchandise channel

Cosmetics manufacturers would assign their subsidiaries to connect cosmetics specialty stores to be their sales channels. Products will be sold at specialty stores which later will be motivated and rewarded by incentive about 4-15% in proportion to sales. Normally prices will be set according to unified suggested prices nationwide. Example of such stores are France- based Sephora , Hong kong based-Sasa.



* Price-maintained merchandise is cosmetics that are sold by cosmetics specialty stores.

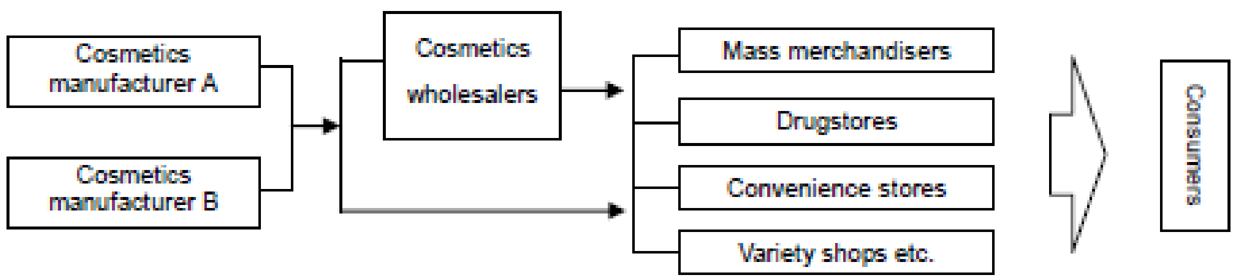
Self-selection merchandise distribution system

This is the channel to be simply called "mass merchandiser channel". Cosmetics manufacturers will negotiate with the mass merchandiser for the agreement to support each other in term of sales and sales promotion. The manufacturers will send sales staff, educate employees of mass merchandisers, and provide POP (point of purchase advertising).

Mass merchandiser stores e.g. AEON, SEIYU, convenient store e.g. Seven& I , Lawson or chain drug stores e.g. Matsumoto Kiyoshi, Tsuruha, Sugi Pharmacy etc. will carry wide ranges of brands and products for different customer targets and the volume of sales usually outperform those of department stores but being outperformed in total sales values

This is partly because at department stores where there are BA (Beauty advisers) or PC(Personal consultant), customers would tend to buy more than one single products. Sometimes they buy the entire product lines from sampling the products or undergoing skin test performed by BA.

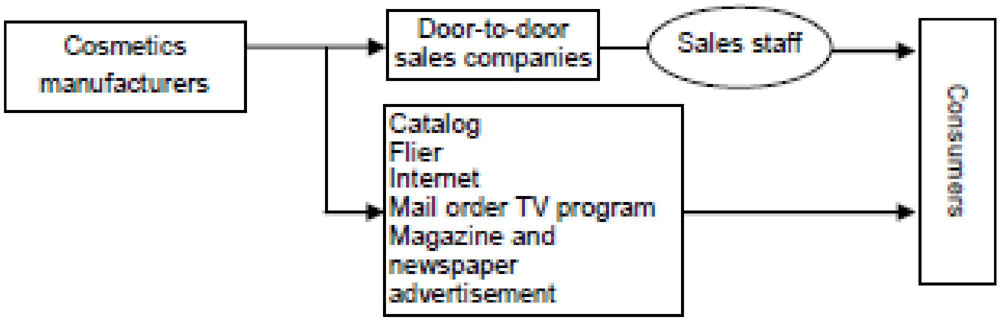
However, at the drug stores, customers will tend to grab the products that are currently used.
They might try another product categories but less likely to buy the entire product line such as face wash, toner and serum etc.



Department store

This is merely a simple channel and direct. Cosmetics manufacturers contact directly to sales staff of the department store for a contract or sales agreement with a condition that the merchandises should be sold at the designated areas. Sales quota per square meter is imposed once sales cannot be achieved; it is possible that the brand will be pulled off from the stores.

Door to door and mail order



Door to door and mail order sales channel is a traditional channel and at the same time closely contact with customers. Sales representative will visit customers at their residences to present product catalogs or product sample to try.

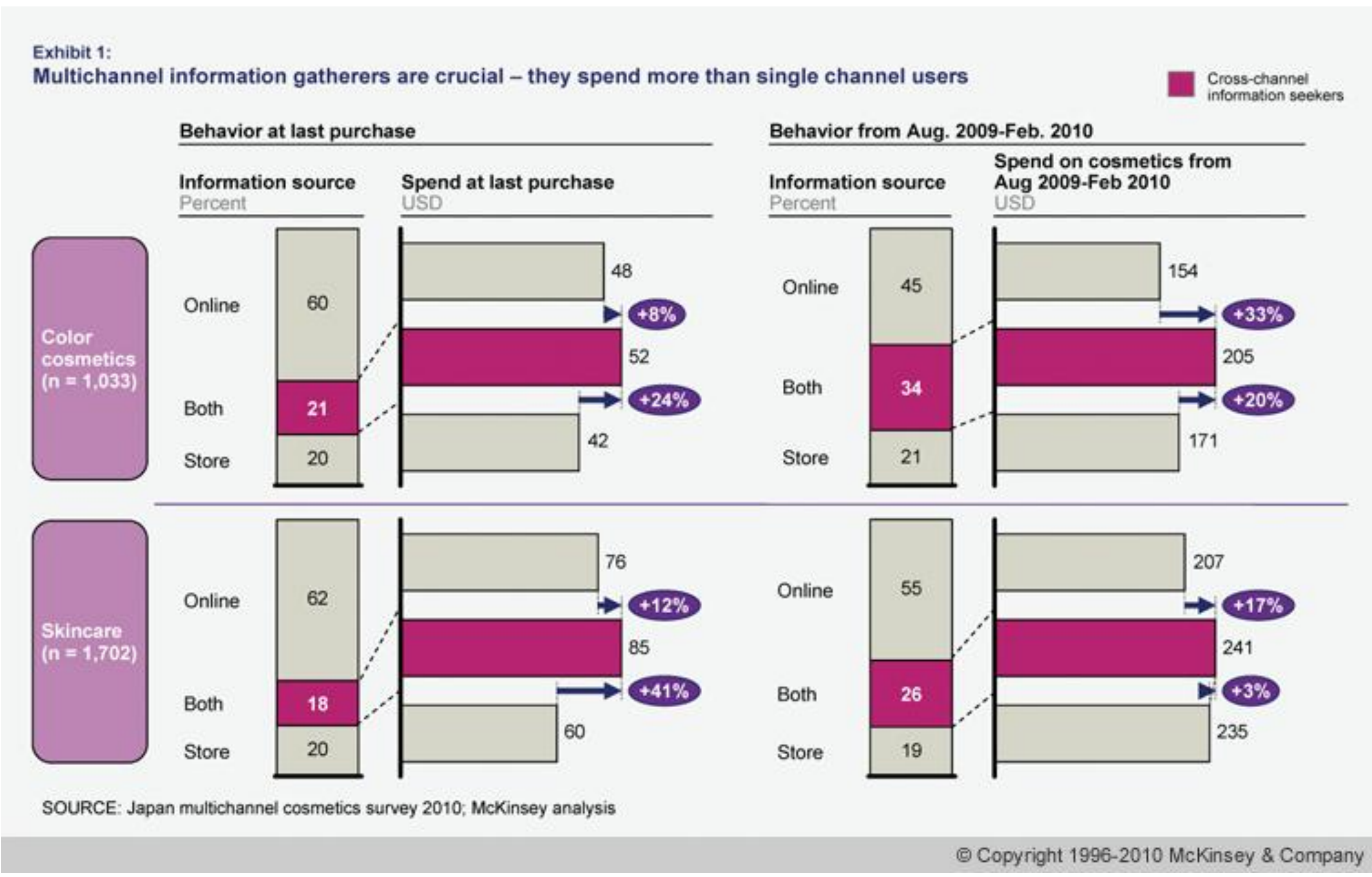
A door-to-door sales usually grows by incentives the sales staff receives and by the close customer relationship based on trusts and individual sales technique. However, because of growing number of double income family where women are off to work in the day time and the concern in privacy and safety, door to door visit for sales decreased

In addition, mail order sales nowadays can be more convenient for both companies and customers thanks to the internet and smart phone. Customers can now request a catalog or make online purchase without wasting time to post their paper order back to the vendors.

Companies can save costs in sending paper materials or catalogs, plus they can publish new online catalogs or product introductions which can be accessed online anytime anywhere.

According to McKinsey Japan, Japanese cosmetics manufacturers have been shifting to online sales channels. Japanese women use online sources not only for user generated reviews about products but for easy purchase procedure.

Figure 19: Purchasing behavior of skin care products through online channel

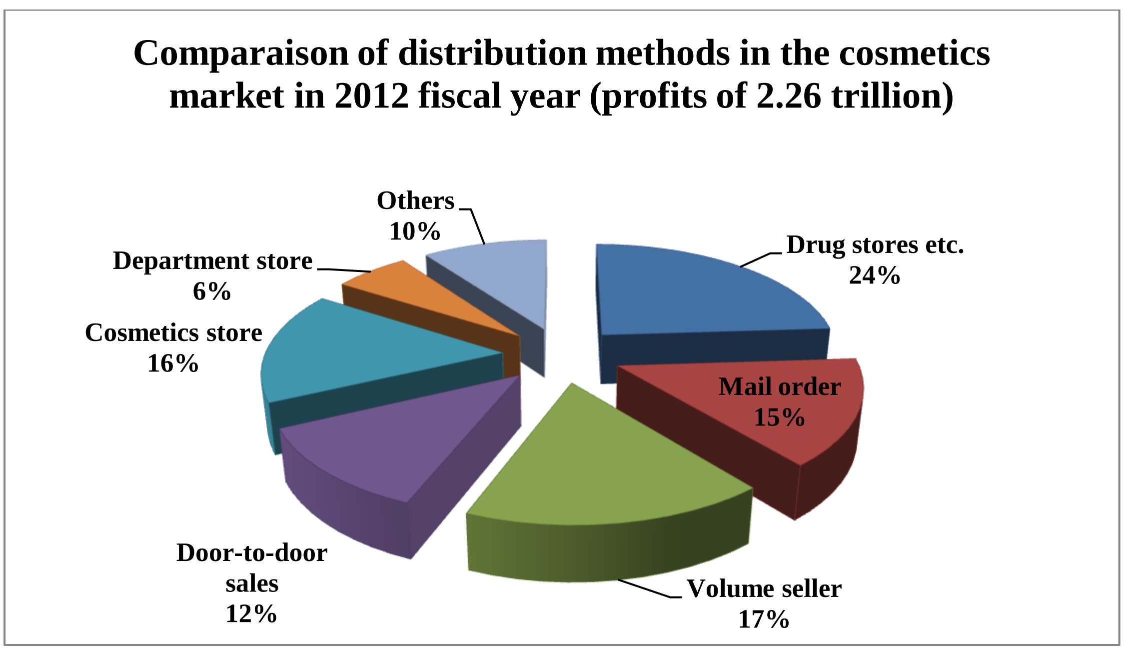


According to McKinsey's survey of 3,000 Japanese women, 25% of Japanese women purchased health and beauty products online in the past 6 months. 30-40% of online shopping customers browse for products and buy them exclusively online. They no longer consider going to land-based stores to buy cosmetics[10].

However, In Japan, orignal mail sales still receives positive supports from some customer segments who are in their 40's or above. The segments are really familiar with internet or using smartphone . They prefer to obtain information and be communicated by physical catelog and traditional mail order format.

The total domestic market shares of various distribution channels in 2012 fiscal year are as follows. The drug store and pharmacist stores is at 24%(542.2 billion), volume seller is 17% (384.2 billion), cosmetics store is16%(361.6 billion) and mail order sales is at 339 billion or 15%.

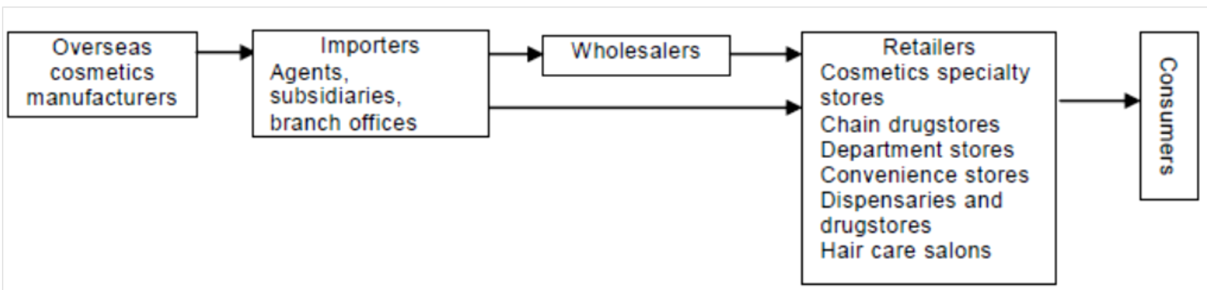
Figure 20: Japanese purchasing behavior of cosmetics by distribution channels



Source : Techno created co..Ltd.

[10] McKinsey &Co Japan April 2010, Face time , " A digital makeover for Japan's cosmetics industry"

For foreign affliated cosmetics manufacturers, basic pattern of distribution channel is starting from importers then wholesalers who will oversee required procedures with the retailers such as drug stores, department store, mass merchandisers..Some wholesalers and retailers do business directly with overseas cosmetics companies so they contract directly to have the products available at their retail stores e.g Francfranc.



3.1.3 Current law involvement and regulations In Japan

Cosmetics in Japan are subject to the acts and regulation covering various aspects such as product safety and procedural requirements at the time of sales.

Pharmaceutical Affairs Act :

- **Prohibition of sales of defective products**

Defective products are defined as products that do not conform to the Cosmetics Standards, products that are unclean, degraded in quality that contain foreign substances, that contaminated with disease-causing microorganisms and that make use of unapproved tar coloring**.**

- **Labeling regulation on the containers or packaging of cosmetics**

Products that violate labeling regulations are deemed to be improperly labeled cosmetics, and their sales is prohibited. Advertising and labeling for cosmetics are also regulated under the Act.

Product Liability Act (PL Act)

It is manufacturers' liability for damage for the victim if their products are found to be defect and harmful. This is included importer that is liable for damages caused by all imported articles.

High Pressure Gas Safety Act

Products sold in aerosol containers must be labeled in accordance with the provisions of the High Pressure Gas Safety Act. Aerosol products (e.g., hair spray) must be separately inspected.. They must meet certain requirements at the time of importation. However, they will be excluded from the application of the Act, on condition that the products describe precautions for consumers. The products must have warnings, cautions, types and quantities of hazardous materials, and the size of the letters and other labeling practices

Fire Service Act

Products deemed as being hazardous under the Act are subject to the provisions of the Fire Service Act. When products are stored in amounts in excess of certain levels and when transported over land, they are subject to notification or permission from the mayor of the local municipality. Aerosol products using high concentrations of alcohol may fall under this category.

[Representation example]

Keep away from fire and high temperatures *

This is combustible product using high-pressure gas. Be sure to observe the following:

1. Do not use near flames or fire.
2. Do not use large amounts in rooms with open flames.
3. The container may burst if exposed to high temperatures. Do not place under direct sunlight or near fires or other locations of temperatures more than 40°C.
4. Do not dispose of in incinerator.
5. Be sure to use completely before disposal.

High Pressure Gas: Type of gas used (label name of gas)

* Label with white letters on red field

Source: JETRO

Act against Unjustifiable Premiums and Misleading Representations

The act covers prohibition of improper labeling with exaggerated or false labeling to prevent misleading or misunderstanding customers of the nature or quality of products,

The Consumer Affairs Agency requests documentation of a rational basis for labeling that make claims of superior quality. Confusing labeling that makes it difficult to discern the actual country of origin can be considered to be a form of improper labeling.

Act on Specific Commercial Transactions

Commercial transactions covers mail order, door-to-door sales, telemarketing sales, chain sales(internet marketing and multilevel marketing), specific continuous service provision transactions, and sales transactions offering business opportunities of designated products, rights and services.

Transactions must be carried out fairly and in a way that protect ordinary customers.

Mail order including internet sales, following information must be displayed in their advertisements;

[1] Sale prices

[2] Payment period and method

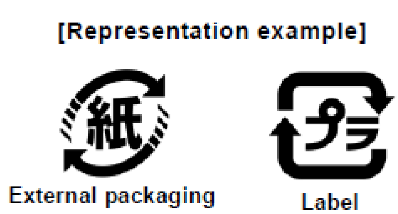
[3] Delivery date

[4] Clauses related to the return system

[5] Name, address and telephone number of operator.

Law for Promotion of Effective Utilization of Resources

Labeling must be provided, in order to promote sorted collection and recycling of containers. When paper or plastic is used as a packaging material for the wrapping of individual product items, a material identifier mark must be displayed in at least one location on the side of the container.



For cosmetics manufacturers , The table displayed below tells the responsible organizations and contact regarding regulations and laws governing sales of cosmetics in Japan;

Table 5: Contact information and responsible organization for law and regulation governed cosmetics sold in Japan

Related Regulations and Control	Competent agencies	Contact information
Pharmaceutical Affairs Act	General Affairs Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labor and Welfare (Pharmaceutical Affairs Act in general) Evaluation and Licensing Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare (Marketing approval procedures)	TEL: +81-3-5253-1111(Main) http://www.mhlw.go.jp
High Pressure Gas Safety Act	Industrial Safety Division, Nuclear and Industrial Safety Agency, Ministry of Economy, Trade and Industry	TEL : +81-3501-1511(Main) http://www.nisa.meti.go.jp
Fire Service Act	Fire and Disaster Management Agency Fire Station having jurisdiction over the address	TEL: +81-3-5253-5111(Main) http://www.fdma.go.jp

Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800(Main) http://www.caa.go.jp
Act on Specific Commercial Transaction	Consumer Economic Policy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511(Main) http://www.meti.go.jp
Law for Promotion of Effective Utilization of Resources Law for Promotion of Sorted Collection and Recycling of Containers and Packaging	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Office of Recycling Promotion, Policy Planning Division, Waste Management and Recycling Department, Ministry of Environment	TEL: +81-3-3501-1511(Main) http://www.meti.go.jp TEL: +81-3-3581-3351(Main) http://www.env.go.jp

SECTION 2: ANALYSIS OF THAI NATURAL COSMETICS IN JAPAN

3.2.1 Marketing Mix(4Ps)

Products

Cosmetics in general can be classified from commodities (low prices) to high end cosmetics. This is based on basic ingredients for making cosmetics throughout the external product images and packages. Product positioning ranges from low-end to luxurious products that are associated with other luxury branded items such as apparels or handbags & accessories. Product categories offered in the market are as follows;

- Skincare category (facial care and body care)
- Color cosmetics (Make up products)
- Haircare category
- Perfume and eau de cologne
- Special purpose cosmetics(Sunscreen, shaving &bath etc.)

According to Pharmaceutical acts, the needs and functions depend on each customer. Scope of recognized cosmetics effects can be shown in the table;

Table 6: Scope of cosmetics effects by Japan pharmaceutical acts

1	Cleansing hair and scalp	29	Soften skin
2	Using fragrance to reduce unpleasant hair and scalp odors	30	Give gloss to skin
3	Keep hair and scalp healthy	31	Give luster to skin
4	Give moisture and sheen to hair	32	Make skin smooth
5	Moisturize hair and scalp	33	Make beards easier to shave
6	Keep hair and scalp moist	34	Condition skin after shaving
7	Make hair supple	35	Prevent rashes
8	Make hair easier to brush	36	Prevent sunburn
9	Keep hair lustrous	37	Prevent skin splotches and freckles resulting from sunburn
10	Give luster to hair	38	Impart fragrance
11	Stop dandruff and itching	39	Protect nails
12	Control dandruff and itching	40	Keep nails healthy
13	Supplement and maintain hair moisture and oil content	41	Moisten nails
14	Prevent hair breakage and frizzing	42	Prevent chapped lips
15	Improve and maintain hair pattern	43	Fill in lip creases
16	Prevent hair static electricity	44	Moisten lips
17	Cleanse dry skin (that has become dry as a result of cleansing)	45	Keep lips healthy
18	Prevent blemishes and rashes (by cleansing) (facial wash)	46	Protect lips, prevent dryness
19	Condition skin	47	Prevent lip roughness caused by dryness
20	Combat skin wrinkles	48	Make lips smooth
21	Keep dry skin supple	49	Prevent cavities (brushing teeth with toothpaste)
22	Prevent skin chapping	50	Whiten teeth (brushing teeth with toothpaste)
23	Tighten skin	51	Remove plaque (brushing teeth with toothpaste)
24	Moisten skin	52	Cleanse the mouth (toothpaste)
25	Supplement and preserve skin moisture and oil content	53	Prevent bad breath (toothpaste)
26	Keep skin soft	54	Remove tooth film (brushing teeth with toothpaste)
27	Protect the skin	55	Prevent plaque deposits (brushing teeth with toothpaste)
28	Protect skin dryness		

Note: Parenthesized text refers to aspects of physical form during usage, not to the effect itself.

Source: JETRO

Natural cosmetics in Japan's market

Natural cosmetics in Japan's market have increased in demands. Japanese consumers might have different views in that they might be often affected from skin irritation or sensitive skin.

This characteristic might differ from other consumers in foreign markets. In other foreign markets, customers use natural products are not they suffer from sensitive skin and skin problems.

However, customers in both markets see the values in the natural cosmetics . Natural cosmetics products are reduced and eliminated chemical constituents. The products are also environmental friendly.

Product offerings and product lines

Product lines offered can be classified by main ingredients or functionality. For skin care products, the product lines are for example, anti-aging, whitening, moisturizing etc. Haircare product lines can be anti-hair fall, scalp care, anti-dandruff, damage care etc. The product can also be launched and named by main ingredients such as floral essence and herbs. For example, collections from Thai brands usually have jasmine, lemon grass, white rice and Thai herbal extract e.g. mangos teen, tamarind, turmeric, cucumber, Aloe Vera

Furthermore, natural cosmetics brands tend to offer not only cosmetics products. Home spa products and home decorative products are often offered. Home spa and accessories products are for example, essential oil for stress relief and relaxing body massage, aromatic products such as room fragrance, aroma reed diffusers, aroma burner, aroma candle and incense sticks.

Some of leading brands from Thailand even have their own spa and concept café to cater to customers to have holistic experiences for body massages and spa treatment.

Price

Thai natural cosmetics are produced with best quality of ingredients and classy styles of packaging, since brands are intended to differentiate themselves from other foreign or domestic brands in term of the country of origin and product quality and most importantly the image of **" premium-natural cosmetics" .**

Prices are therefore higher than average unit price of cosmetic products but **highly reasonable and competitive** compared with other foreign brands.

Skin care categories are approximately priced from 2500 Yen to 7000 Yen, Body care category is from 3000 yen to 5000 yen. Natural cosmetic soaps are from 600 yen up to 1000 yen.

The last is home spa category and accessories are priced at premium because of its value addition by Thai style design of accessories and by purely natural extracting process of production .The essential oils from 2000 yen to 10,000 yen

Figure 21: Thai natural cosmetics and home spa products in luxury market segments

Source: Panpuri

Place

Place is strategically related to brand positioning and distribution channels. The channels of sales of Thai natural cosmetics are through ,

1. Cosmetic specialty stores,
2. Web stores
3. Official concept shops

The term “concept shop” is an identical term of the official retail shop. Decorated with themes that meets with branding messages, the shops are also in locations that would encounter potential target customers. The concept shop must give customer s the best experiences. The store experiences must be perfect matched with services provided by personal advisers . The customers can relax from the store ambience.

Figure 22: Official Concept shop of Thai natural cosmetics brand

Source: HARNN

Concept shops will depend on sales assistants and BAs to introduce products, explain details and nurture close relationship with customers for next visits.

In Japan if products are not with the official concept shops, they will be available through cosmetics specialty store which usually cross sell products with many other cosmetics brands.

The locations of those stores are in high end department stores namely Isetan, Tokyo Midtown, and Omotesando hills. Moreover, the products are used as amenities as well. For luxurious spa &massage parlor, golf club and hotel, products are items to be included in services.

Promotion

For cosmetic brands, promotion is essential. First of all, the brand must be well-recognized. It can also impress customers at the first time. The consistent and integrated marketing efforts and activities must be implemented. Thai natural cosmetic brands are not only presented as being "oriental" but "quality." The promotion of product awareness as well is encouraged by many external factors such as product packaging and customer in-store experiences.

Attaching guarantee or certifications of organic and natural products can help persuade target customers to encourage their confidences in product quality and effectiveness.

In the previous chapter, the organizations providing testing the products and issuing certifications was explained. Beside internationally recognized product certification of the quality and functional effectiveness, environmental –friendly contribution can be an advantage for brand images. For instance, the product packaging and labels are printed with soy ink and made biodegradable materials.

Promotional tools and media

From interviews and the author's observation, it has been clear that natural cosmetics rely on traditional media to create customer loyalty. Printed ads in magazines and cosmetics websites carry product introduction articles featuring beauty and wellness. Word- of mouth is one of keys for promoting and attracting new customers. This is the reason why every brand put priority on regular and loyal customers.

In addition, exclusive membership system is implemented for keeping record of customer' preferences and the benefits of next purchases of services or products.

Regular customers will receive mail letters for updating information on promotional campaign, new product launches or beauty work shop &activities. Additionally, with the rise in internet use and social media, facebook, twitters and official website are another important medium to communicate with customers.

Figure 23: Promotional media of Thai natural cosmetics brands

On B2B level, Thai natural cosmetics manufacturers will participate in trade shows and trade fairs internationally to expand their distribution channels with new buyers and foreign distributors. Cosmetics trade shows are held worldwide all over the year but the biggest and comprehensive event for professional beauty sectors is “COSMOPROF” held during the first week of April in Bologna, Italy.

For Asia-pacific region, there are also COSMOPROF Asia held in Hong Kong, and Beauty World Japan held in May and October. Other trade shows and events in relevant industries such as gifts or furniture can be venues for entrepreneurs and manufacturers to make deals and business overseas.

Figure 24: Exhibition and events in Japan regarding cosmetics industry

Name of events	Date	Details
Cosmetics Japan (International cosmetics development exhibition)	Annually June - July	Exhibition concerning the development and planning of cosmetics, sponsored by Reed Exhibitions Japan Ltd.
Cosmetic Ingredients & Technology Exhibition Japan	Biennially	Exhibition by engineers of cosmetics and raw materials manufacturers, sponsored by Federation of Japanese Cosmetic Ingredients Associations
Interphex Japan	Annually June - July	Exhibition of equipment, systems, and technologies for manufacturing and R&D of drugs and cosmetics, sponsored by Reed Exhibitions Japan Ltd.
Beauty World Japan	Twice a year May in Tokyo and October in Osaka	Exhibition of all products, services, information and technologies concerning esthetic clinic, nail, beauty equipment, hair care, healing and medical beauty, sponsored by Mesago Messe Frankfurt Corporation
Organic EXPO	Annually September - November	Exhibition of natural and organic products, sponsored by NürnbergMesse GmbH
Diet & Beauty Fair	Annually August - September	Exhibition of beauty business, sponsored by UBM Media Co., Ltd.
Gift Show	Twice in Tokyo and Osaka, Spring and Autumn Once in Fukuoka, Autumn	Exhibition of personal gifts and general merchandise, sponsored by Business Guide-Sha Inc.
Health Industry Show	Annually Around March	Exhibition of health industry business, sponsored by UBM Media Co., Ltd.
Health & Beauty EXPO	All through the year	Query and matching site for commercial materials and buyers, http://www.e-expo.net/

Source: JETRO

Seasonal and event promotion

The celebration of season or events such as mother's day, father's day, new year, birthday is accompanied by gift sets of natural cosmetics offered in a nice wrapped packages. Seasonal promotion is a strategy to win new customers among the receivers of the gifts. Especially in Japan which gift giving is very common and valued by people of all age .

3.2.1 3Cs and STP

To look into Japan's market and undertake situation analysis of Thai natural cosmetics, two approaches will be used here. 3C models and STP (Segmentation, Targeting, and Positioning) will be used. Highlighted colors will describe the degree of relevance. The first step (lighter colored) will emphasize customer analysis with the relevance of customer segmentation and targeted customers. The second step (bold colored) will analyze the company versus competitors and the brand positioning of the company in comparison with other competitors.

<table>
<tr><td></td><td>1st Step</td><td colspan="2">2nd Step</td></tr>
<tr><td rowspan="2">Segmentation</td><td rowspan="3">Customer</td><td>Company</td><td>Competitor</td></tr>
<tr><td colspan="2" rowspan="2">Positioning</td></tr>
<tr><td>Targeting</td></tr>
</table>

1st STEP : Customer segmentation and targeting

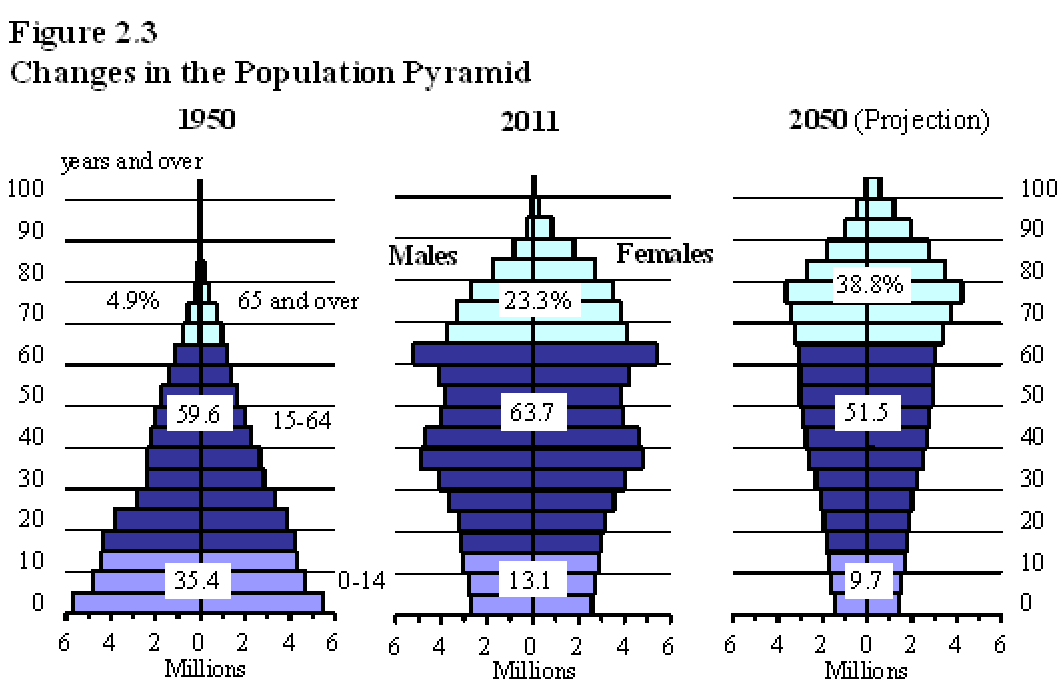
Customer

Main customers of cosmetics or natural cosmetics are still women. Japanese woman think of cosmetics not as something to cover flaws but as skin care. The desire to have healthy skin and admirable looks of women will motivate women to the right product.

Looking at demographic structure of Japan, aging population is predicted to grow further. In 2011, population whose age at 65 or above was accounted for 23.3 % of total population or 29.75 million people. This was the biggest in the world. Japan's population in the future will become a society comprising productive age group(15-64 years old) and elderly group (65 years old and above).

To interpret further, the shrinking birth rate and the rising of aged people can be an advantage for natural cosmetics industry to some extent because there will be demands for cosmetics and skincare products to look after their appearance and body wellness. This is a bright opportunity for Thai natural cosmetics to capture more customers in such groups

Figure 25: Changes in the population of Japan



Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare.

Because Japanese customers' aspiration to prolong young looking skin and good overall physical appearance, anti-aging and home spa products can become more demanded .

Segmentation

Japanese customers based on demographic and price are as follows,

1. **Low price oriented customers :**
   - This segment is young women from 20 old to 26 years old. They are price sensitive and make purchase decision by promotions and campaigns at drug stores or pharmacy.

     This group is least relevant to natural cosmetics because cosmetics targeting this group of people will usually one of brands of big market leaders as Shisedo or Kose. The products are not exactly considered as " natural cosmetics"
2. **Masstige oriented customers** :
   - This segment is middle-aged and older women who are from 26 up to 55 years old.

     This group will buy a "Masstige" positioned brands. "Masstige" is a mix of mass and prestige[11]. " A "masstige" brand is positioned as a brand that is on a higher end compared with brands for mass-produced products, but is less expensive than prestige brands" [12]

     Customers in this group are much price oriented while they look for functionality and values by paying extra.
3. **High- end / Prestige oriented customers.**

   This group represents customers who go beyond price factors since these people will have unique appreciation of values offered in products and related services. They are the most loyal to brands. Satisfied by shopping experiences and product quality, high end oriented customers

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[11] Sunapee na Songkhla , January 31, 2011 1, The Nation, " Cosmetics brand goes 'masstige'"

[12] Shiseido group, June 2012 , " Shiseido to launch Za, a Global-Mega Brand, in the Japanese market"

will enjoy individual counseling services and expect best services. They prefer to be welcomed as exclusive guests. Sales person or BAs then must have in-depth information about customer's purchase records and the products really well in order to provide superior services and long lasting excellent impression. "Prestige" is the most suitable term of clarifying the brands served to these customers.

Targeting

The target customers of Thai natural cosmetics is the last segment, high end oriented customers. Because the positioning of Thai brands in Japan is a prestige brand with purely natural and best quality products.

Target customer profile is that they give an importance to **pampering themselves with products that give in functional and emotional attributes.** In addition, they value unique cultural heritages especially of oriental or Asian stories.

This target group usually ages from28 years old to 55 years old. The broad range of age implies the difference in product line and categories the customers would purchase.

For example, in younger aged customers, they give attention to maintaining youthfulness by using anti-aging and whitening. Those product lines can be floral fragrance like roses or lavender. Meanwhile, older customers will look for some relaxation in product categories like home spa essential oils, aroma diffusers or herbal fragrances such as lemongrass, jasmine etc.

2nd STEP : Company and competitors

Company

Thai natural cosmetics brands are already in Japanese market. Thai brand have the competitiveness over competitors by using Thai herbs and traditional remedies in finished products. It is safely to say that Thai cultures have played a part in creating interests among Japanese customers.

More or less, the positive attitudes toward Thai cultures or Thai origin support positive images Thai brands in Japanese market, to name by most recognized ones respectively, are THANN, HARNN, PANPURI, ERB. These brands are manufacturers themselves with international sales experiences and profiles in foreign countries in major destinations which are U.S. and Europe. There are more Thai manufacturers who entered the markets in the form of OEM manufacturers supplying products to hotel and Spas without their own brand names.

Competitor

According to Roland Berger analysis, there are clear cut six groups of domestic and foreign competitors in Japanese market. The figure will show major players in Japanese cosmetics market[13]

Figure 26: Market segmentation by cosmetics brands in Japan

Source: Roland Burger Japan

Thai natural cosmetics face critical threats and competitions from both natural cosmetics brands and general cosmetics brands. ***However, Thai natural cosmetics will focus only the niche market.***

natural cosmetics because target customers are those who have interests in natural cosmetics and home spa products.

[13] Tayuki Kito, Roland Burger Japan, September 2012 " Ra shin Ban (Compass) newsletter, Japanese cosmetics market"

Positioning

Figure 27 : Positioning Map of cosmetics brands in Japan

Source: author

From the upper right quadrant, there are foreign brands of cosmetics that are competing in skincare products. In prestige segment, brands from oversea are highly valued by customers but most of the brands are not considered natural cosmetics. Whilst, in natural cosmetics with prestige positioning (upper left quadrant), Thai brands are overwhelmingly among the competition with L'occitane, Diptyque, Kiehl's and Crabtree and Evelyn. All are competing in body care category and home spa product especially hand cream and fragrances.

In middle range and Masstige positioning brand toward low price oriented, there are brands such as Bodyshop, Lush and Skinfood. Products are featured natural ingredients though not purely 100% . The brands targeted at younger customers with cheaper prices.

The channels of distribution is through their specialty store in ordinary department stores, shopping arcades e.g. Lumine, Loft, Shimokitazawa, Jiyukaoga or at corners in the train station. Images below show the different in stores for lower positioned brand, Lush and Prestige brands which is Diptyque.

DHC and FANCL is in the niche market. Their products are derma logical or clinical test with less synthetic substances or fragrances but they are not considered 100 % as " natural cosmetics" The brands have promoted ingredients from nature but allowed some chemical use in their product in manufacturing process.

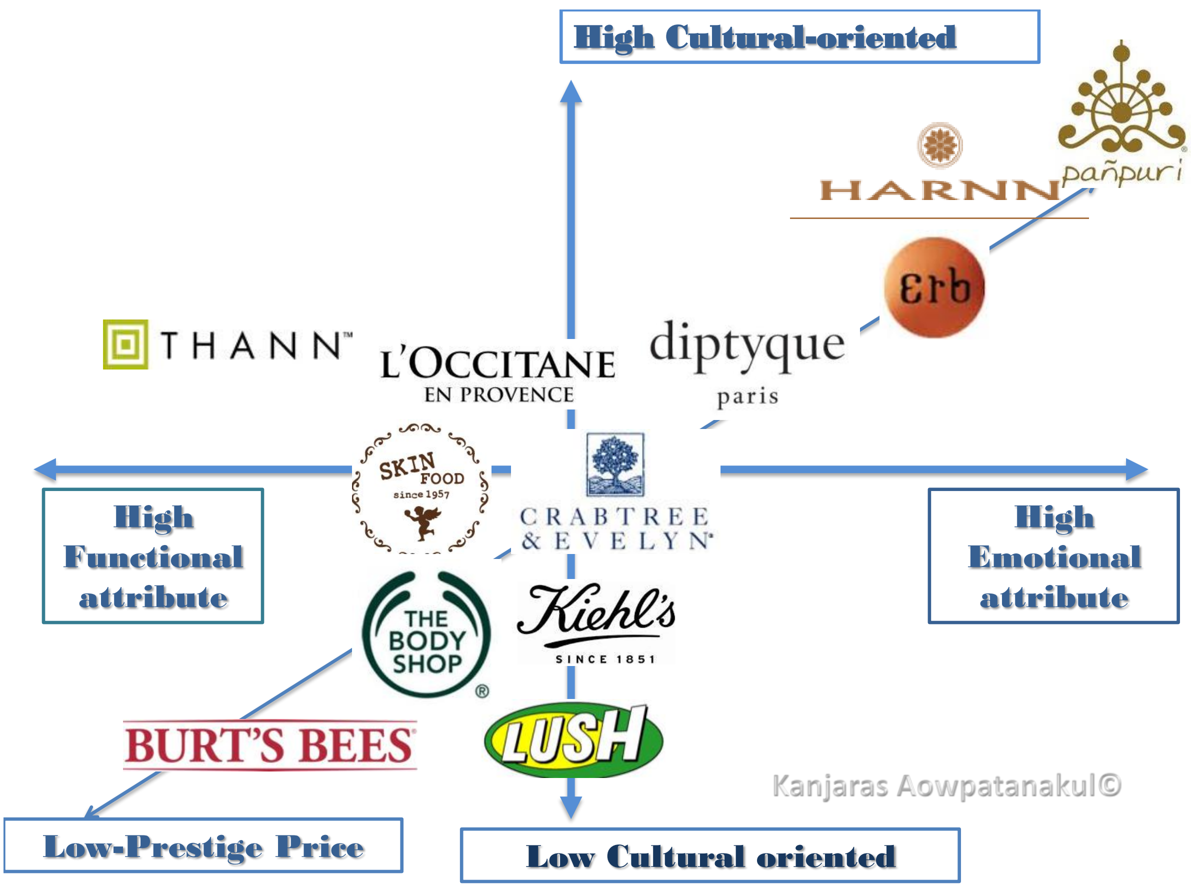
The two brands focus on direct marketing with mail order and catalogs. Target customers are middle aged women from 35to 60 years old. Their customers are those who are not familiar with internet users much and contacted through traditional ways with printed paper promotional pamphlets.

Lastly, low price oriented brands (lower right quadrant) can be called " self –selected cosmetics". These brands will have no stores but can be bought at drugstores and pharmacy. The brands are cheap but still proven by derma logical test for their quality and effectiveness. The self selected brands are not directly competing with Thai brands because of different targeted segments and values.

In conclusion, ***the most strategic and relevant competitors for Thai natural cosmetics are*** those which **are in the left side of the positioning map.**

Positioning map of natural cosmetics in Prestige segment

Figure 28: Positioning maps of natural cosmetics brands in Japan by cultural orientation, functional attributes and prestige price criteria



Source: Author

In prestige positioning section, brands are all rated as quality brands in term of product effectiveness and quality. However, they each will be gauged by various degree of cultural orientation, the functional attributes versus emotional attributes that brands position themselves. The last criterion is prestige priced orientation. Whether these natural cosmetics brands are high or low prestige priced.

All axes will show how high those brands are rated by mentioned three criteria.

Prestige Price	**Emotional Attributes (cultural orientation)**	**Functional Attributes**
	High	**Medium** **High**
High Low	Panpuri HARNN Erb Diptyque L'occitane Skinfood	THANN Crabtree & Evelyn Kiehl's LUSH BODYSHOP BURT'S BEES

Source: Author

Thai brands are highly rated and the highest as presenting emotional attributes more than functional attributes. THANN only brand that which has more attachment to functional attributes and lesser emotional attribute.

Other competitors will have some degree of emotional attributes in their country of origin such as France and London. Dyptique is clearly positioned at being luxurious, prestige price and some degree of emotional retreat in fragrance product line. There is also Skinfood which is inevitably associated with Korean but the brand is priced lower.

While L'occitance usually engage the "En Province" or being from France in their branding. However, the Dyptique make higher positioning in emotional and price but lesser in functional attribute. than L'occitane.

The lower cultural orientation group also consists of Crabtree and Evelyn, Kiehl's. This group is higher price than the last group.

The last group is the lower prestige price, low emotional attribute and low cultural orientation. They are the Body Shop, Burt's Bees and Lush. Lush mainly target younger adults and teenagers who look for excitement in products so it is placed higher than Burt's Bee in emotional attributes

Positioning of Thai natural cosmetics brands in Japan

Thai brands position themselves as **"premium, unique and contemporary" quality skin care and cosmetics"** The positioning message must be conveyed through every elements included in total customer experiences.

CHAPTER IV: RESEARCH METHODOLOGY

The main methodology used for the research is based on secondary data gathered from literature reviews of related papers regarding natural cosmetics, spa business and consumer behaviors in purchasing those products. The second source is through the primary data from conducting interviews with marketing managers or owners of natural cosmetics companies in order to gain business intelligence from their business strategies and outlooks that have helped them to be able to take their business to go aboard while have a chance to listen to their problems that they had experienced in foreign markets and how they managed to cross over the obstacles.

The author conducted in-depth interviews with Thai natural cosmetics companies that have been successful in Thailand and internal markets at their head offices in Thailand.

With their generosity and cooperation, the author was able to learn from their success story and other insights in the industry substantially from all participating companies not only ones that used as case studies. In this chapter, three selected companies' backgrounds, their business operation and strategies will be chosen to be included in this thesis.

For further academic learning and more practical application to other natural cosmetics manufacturers, key learning from case studies will be useful for improving competitiveness in product strategy, branding and marketing strategies in international market and in Japan

SECTION 1 : CASE STUDY COMPANY (HARNN)

Harnn Products Co., Ltd. is the leading Thai natural cosmetics and Asian's contemporary and luxurious spa operators (Harnn concept Co.,Ltd) by the name " HARNN Heritage Spa". The company was established in 1999 by Vudhichai Harnpanich. The founder wanted to make HARNN to be lifestyle brand inspired by Asian traditional arts, craft and herbal medicine. The brand is also be contemporary and focus on aesthetic details from the packaging to the interior designs of the retail shop and quality natural skin care and home spa products.

HARNN has been 13 countries and 48 locations around the world, France, USA, Russia, Mexico, Japan, Greece, New Caledonia, Guam, Taiwan, Singapore, Vietnam, and Indonesia. The retail shops and HARNN heritage spa have earned world's class recognitions of their holistic & luxurious spa services and quality natural products which main ingredients are selected from Thai herbs and natural plants with guaranteed awards from Thailand and international organizations.

Being one of the first brands, HARNN was able to capture the trends of spa business that was at the peak at the time the company was established. HARNN differentiated by offering Thai customers the natural skin care products and home spa products in luxury segments that no one in the industry had gone into. In addition, HARNN is credited to be the brand that educates customers in the use and special benefits of natural soap and natural cosmetics.

HARNN currently has 5 products categories

<u>Natural Body Care& Haircare category</u> offered in 5 collections;

- *Natural soap collection* with patented Rice Bran Oil formulation enriched by vitamin E.

- ***Oriental herbs Collection*** : A combination of botanical from Asian traditional herbal medicine highlighting Lemon grass and Kaffir Lime, organic cactus, wild pansy and multi –fruit extract s which help refreshing, improving skin fitness and elasticity

- ***Cymbopogon Collection:*** zesty citrus lemongrass aroma balanced with Lavender scents representing ultimate synthesis of East and West which has antiseptic and anti-inflammation properties from natural essential oils.

- ***Jasmine Collection***: Siamese Jasmine essential oils made from 6,800,000 blossoms selected for sweetest and uplifting aroma and vitamin C from Pomegranate extract and Rice germ oil to help nourishing and clarifying younger looking skin.

- -***Oriental Rose Collection*** : Chinese rose essential oils enhanced with Nano seaweed extract to help stimulate collagen and elastin production for younger looking skin and antioxidant properties to reduce signs of aging.



Skincare category

Water lily collection*:* Pure white lily blossom that are part of Asian heritage and symbolize the purity of noble hearts and majestic status. Preciously extract from water lily will help restore natural radiance and promote grace of healthy skin.

Home spa category : 4 collections

*-**Bath and Massage oil Collection****:* High Gamma Oryzanol Rice bran oil provides dermatological and aromatherapy benefits as natural moisturizer, anti-oxidant and natural sunscreen.

- *Bath Salt Collection:* Natural sea salt providing detoxification and natural minerals helps stimulate blood circulation and metabolism. Essential oil blend from Orange and Clove gives warmth and sensuous experience.

Herbal balm Collection: Black Pepper Herbal Balm, Deep warming balm with natural from Black Pepper and nourishments from Cocoa, Shea Butter and Rice is Asian remedy for muscle tension and arthritis ailments.

Home spa accessories collection: One of the Thai unique accessories for home spa lover. HARNN home spa accessories are known for unique design and quality that would fulfill your home spa recreation and match your interior decoration.

Aromatherapy category : 3 collections

Signature essential oil blend collection

Certified organic essential oil blend collection: Certified by international institutes, HARNN's essential oil contact no harmful or chemical substances, free from insecticides and pesticides.

Diffuser and accessories collection : Stoneware clay of which its good qualifications in ardness and durability used to produce the aroma burner or long lasting glaze. One item under this collection which is TAO diffuser received DE mark (Design excellence) 2011 by department of export, Thailand

Aromatic oil perfume category: HARNN's Aromatic Oil Perfume collection further combines the art of aromatherapy by translating each color into unique fragrance blend using purest and highest quality essential oils from around the world.

HARNN Target customer and positioning

HARNN Customers like to have product from nature and less synthetic substances. From customer's lifestyle, HARNN is associated with Asian arts & cultures and appreciation of Thai and Asian herbs. The first customer segment is the tourists who buy HARNN for souvenirs during their trip to Thailand. The second group is customers who like to go to spa and body massage service. They are those who like to pamper themselves at their home. They prefer to have complete experience in taking care themselves.

Target customer:

Targeting at **"educated" customers**. The term "educated" is described as be able to know the usefulness and effectiveness of natural cosmetics. The target customers like to know about product details of ingredients, functionality and other artistic elements such as packaging or stores decoration.

The customers really pay attention to ingredients and they can differentiate really good organic products from ordinary brands available in super market. Hence, they are willing to pay extra to satisfy their needs.

From the interview, target customers are actually unisex aged between 30 to 50 years old but mainly they are 80% female customers. In Thailand, customer profiles are ;for example female customers who like to keep their body wellness and figures. The customers will also like to go have a relaxing experience from going to spa and travel. The customer's profiles in other international markets are not so diverse from what was describing earlier.

Positioning

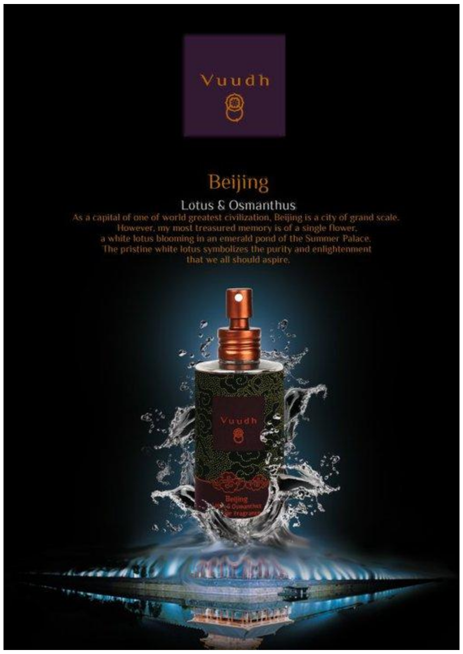
HARNN 's positioning is ***" Luxury, Asian, Contemporary"*** . The positioning also dominance HARNN's sub brands which are;

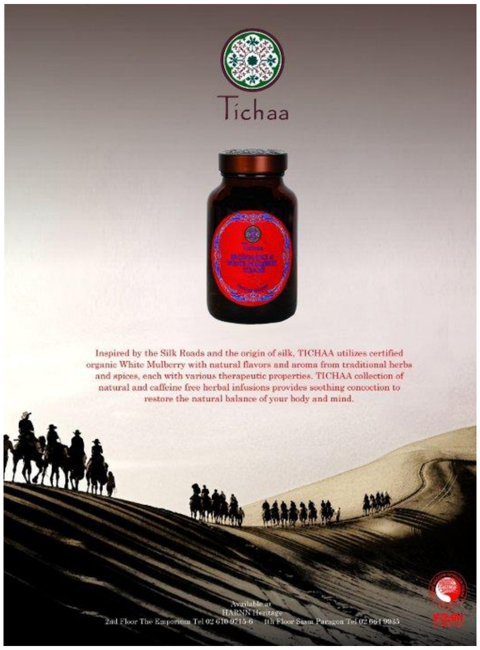
Vuudh.: A fragrance product line and home decorative items inspired by journeys around the world.

Tichaa : Mulberry organic Tea in old style Chinese medicine bottles inspired by history of silk road

Panach: A Stylish clothing line inspired ethnic costumes.

All HARNN's sub brands are representing an image of being contemporary and Asian.





Source : HARNN

HARNN MARKETING MIX

Products: HARNN products are explained in details earlier. Products are offered in large varieties of product SKUs. The product development is carried out by the internal researching team together with marketing and management team.

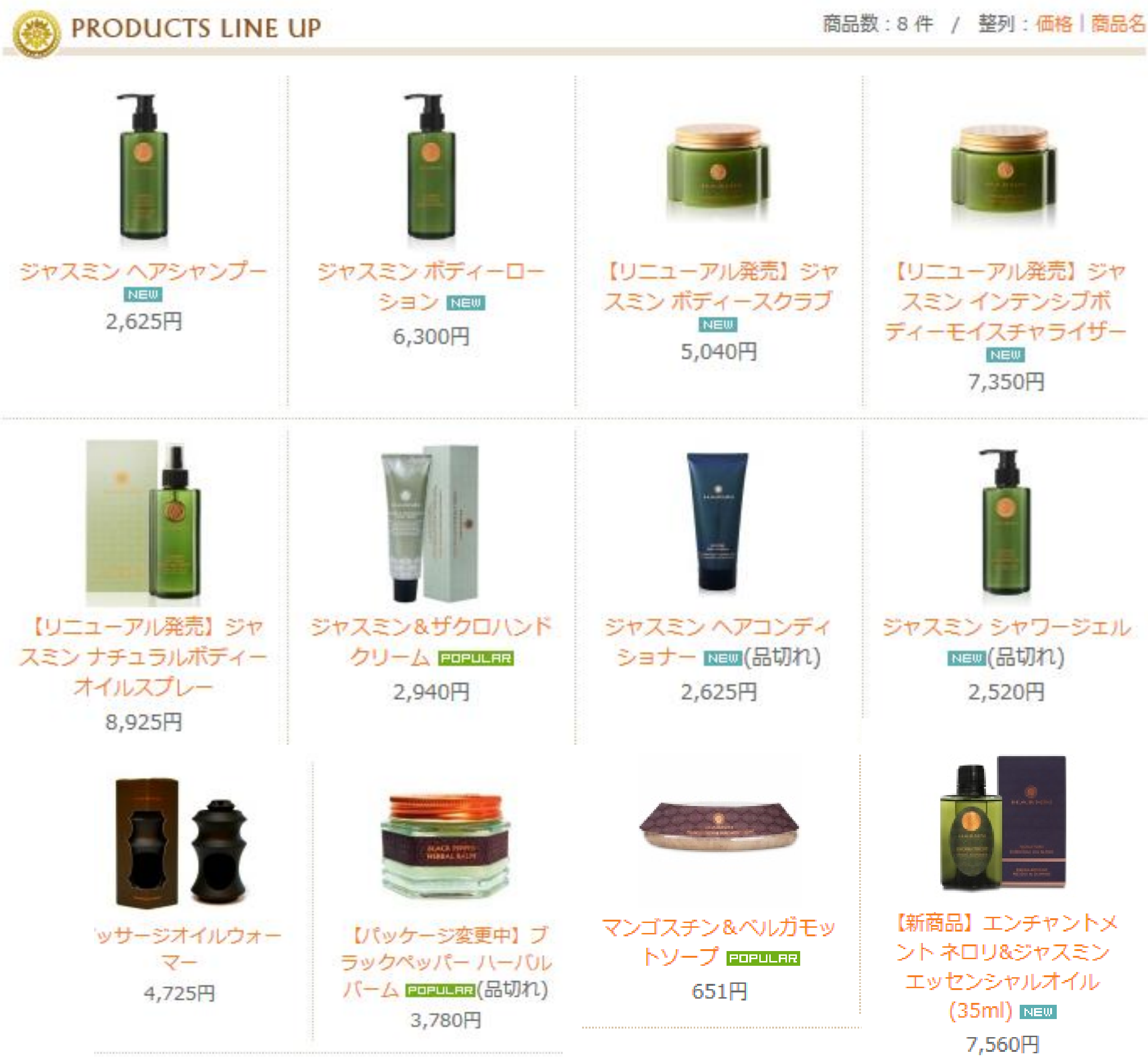
Mr. Harnpanich always emphasizes on this strong philosophy in developing new products and expanding new retail shops . The brand identity of HARNN must be shown through product lines, promotional media, sales channels. Packaging of HARNN is well-designed to have total match with brand concept.

Price: HARNN targets “educated customers”[14] who like Asian arts and value natural scents and ingredients. The customers are willing to invest for their pleasure in taking care of themselves and for the top-notch quality in product functionality and emotional attributes.

Prices are high but very competitive compared with other foreign brands. A bar of natural soap will cost 170 THB (Thai baht). Other body care and hair care products are from 720 THB to 980 THB.

Hand care product is 790 THB . Under the home spa category, the most expensive item is 3200HB for a 35 ml bottle of organic essential oils followed by 2550THB for a bottle signature essential oil. Product’s prices in Japan are relatively 15-20% higher than those sold in Thailand as follows;

[14] Teo, Charlene. May 2013. "How Harnn Uses Events To Go Global." . p., 2 <www.marketing-interactive.com/news/39816>.



Place: HARNN products can purchased from HARNN retailed shop, HARNN heritage spas HARNN online store. In hospitality segments, hotel and airline lounge's and hotels & resort e.g. Intercontinental Bali Hotel& Resort have selected HARNN for their amenities[15].

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[15] InterContinental, Bali Resort 2012 "Luxury Holistic Bathroom Amenities Now Available for Club

“ All channels are carefully decided in order to assure the brand positioning and **brand essence ”** “explained by the marketing manager. Because the owner used to be a trained architect and collector of rare antiques, he designed the shops to look like art galleries complete with colorful paintings. Asian sculptures and Buddha statues will create a retail atmosphere that is pleasing to the senses. All decoration will encourage customers - especially affluent women - to linger and try the various products from soaps to candles.

Promotion: Customer’s store experience should be one of key success factors for attracting customers into the stores. The promotion of HARNN brand would rely on the direct marketing to customers. HARNN’ store assistants must be well trained to have deep understanding of product’s ingredients. The PA must be able to introduce and recommend products to customers.

The excellence of services e.g. product tasting, product introduction, hand massages, free organic tea will be provided to customers visiting the store.

Below- the- line marketing

HARNN applies below-the-line marketing approach. While sometimes, above the line marketing shown through traditional media e.g. magazine ads are used to create brand awareness and product awareness.

Customer references of HARNN products are important for bringing in new customers. Foreign tourists who first time bought HARNN in Thailand can be loyal customers later when they go back to their country and buy at HARNN shop at their location.

HARNN Official webpage and social media

HARNN now have communicated with customers by their official news letter sent to all subscribers and social media such as official facebook page and instragram.

The social media platform allows HARNN to give information about their useful health tips, new store openings, new product launch. In addition, workshops and promotional activities can be announced through facebook. Sometimes, HARNN use face book to measure customers feedback by posting questionnaires online. The participants in survey or online activities would receive free trial products and complimentary gifts.

Event Marketing

HARNN make use of well-designed stores decorated as Asian art gallery with antique fixtures and classy &contemporary items to be venues for workshop and other customer communication.

HARNN does customer education through events and exclusive workshops. For example, there are PR events and workshops to attract and retain customers and gain media attention such as

"Our goal is to make our customers fall in love with the brand and the new lifestyle experiences we share with them." (Mr. Harnpanich) ***"Instead of having a standard launch event, we prefer to highlight our strength in the artistic side by doing art exhibitions with sales benefiting a charity."*** said by Mr. Harnpanich.

There are lots of workshops and activities that VIP members would be invited to join for free all year round. For instance, An exclusive privilege for HARNN VIP members was organized , learn how to cook "Grilled Tilapia with White Mulberry Tea Leafs" from Tichaa, HARNN sub brand and Splendid orchid workshop at HARNN store etc.

Figure 29 : HARNN Event marketing

HARNN in Japan

Japan has been the major market of HARNN. Japanese customers like to have natural cosmetics and unique products that integrate ingredients and some cultural aspects from Asia or Thailand.

Positive attitude towards Thai food and Thai style decorative products always attract to Japanese consumers. Moreover, the trends in natural cosmetics and skincare began in 2004. Japan started focusing on keywords like “eco” and “LOHAS,” which is how natural and organic cosmetics first gained attention.

Japanese consumers are drawn from natural and organic cosmetics that are said to bring out body’s healing power. By enjoying product experiences, customers are fulfilled with functional and emotional attributes. A female customer said “I use natural and organic cosmetics as well, and once I started using them I got into yoga. I started focusing on holistic ways to get beautiful. A lot of these products excite the senses as well with cute packaging and pleasing scents. And the best part is, using them makes me happy.”[16]

Currently, HARNN has 5 retail shops in Tokyo and Osaka and free standing counters in home& lifestyle malls and department stores. Customers can also use HARNN in hotels and Hot springs hotel amenities.

HARNN is in Seibu Ikebukuro, Takashimaya, Sogou Yokohama, Hankyu Umeda, Green park Avenue, BALS Tokyo, AGITO and online store; http://shop.harnn.jp/.

[16] Japan Hot now, Beauty. "Organic and Natural Cosmetics The Hottest Trend in the Japanese Beauty Industry! | Japan Hot Now!." *jp-hotnow.com*. N.p., 13 Apr. 2012. Web. 14 June 2013. <http://jp-hotnow.com/en/detail/jphn_his019.php?category=beauty>.

HARNN KEY SUCCESS FACTOR

- **First mover in home spa product and natural skincare product from Thailand**

HARNN was the first Thai natural cosmetic brand that was successful in international markets Although Thai herbal products were popular among markets in Europe , USA and Japan, HARNN yet the first in creating the luxurious and contemporary brand equity in the high- end market. HARNN invested in product development of purely natural and altered the original ideas of herbal products to go beyond "low price" and " simple".

Both luxury and quality together allow HARNN to gain first mover advantages and establish strong foothold in many potential markets. In home spa product category, HARNN is also the first to bring the ideas of doing Spa at home with good quality products as those used by Spa parlors to consumers while there were no other brands that existed.

- **Strong brand identity and marketing communication strategy**

The synergy in all the product categories, production collections strengthens the positioning of HARNN. The brand will continue being "Contemporary" and "Premium" from Asian heritages. HARNN has been consistent in brand identity to be conveyed through all their new product lines and distribution channels. **As part of their branding efforts, HARNN organize workshops and training to all personnel, store assistants and foreign distributors in order to make sure that the concept is well-perceived.** Distributors outside Thailand must agree to keep the concept of the brand and push the products to be available only in "prime location" For example. HARNN retail concept (retail store) and HARNN heritage spa are located in the same area of *Louvre Museum* in Paris. HARNN's value addition to products is not only differentiated by premium prices and product quality but by the unique stories of the brand that customers are very much interested in.

- **Cooperation with foreign distributors**

Thanks to HARNN success, the company was often selected by Thai government, Department of international trade to join the tradeshow and trade fair . This has made more well-known so they were able to partner with buyers and distributors from several potential foreign markets. In addition, HARNN received many awards for packing design and their products. Thus, they have earned good reputation and recognition from big and professional partners and distributors in their major strategic markets.

SECTION 2 : CASE STUDY COMPANY (Thann)

Thann –Oryza Co., Ltd was established in 1999 under the brand “Thann” . Because the name literally means rice, grain, or paddy, Thann intended to make their names to imply the fertile supplies of nature.

Unlike any other brands from Thailand, Thann is the leading company in natural cosmetics which does not showcase cultural perspectives in the brand. Instead, the concept of brand is **“ premium” and “reliable”** in the quality products. Thann has paid attention to innovation, modern derma logical sciences and contemporary design for the product development.

Thann -Oryza also promotes environmentally-friendly products and human rights against the use of child labor and animal testing.

Thann offer customers a lifestyle of Total wellness through an image of international brand that exists in 80 store locations and 20 spas in Australia, China, Finland, Guam, Hongkong, India, Japan, Mexico, Mongolia Russia, Singapore, Sweden, Taiwan, Thailand and Vietnam.

Thann products and packaging have received many awards such as 2005 Thailand Prime Minister’s Export Award, the 2005 G-Mark Award from the Japan Industrial Design Promotion Organization, and the 2006 Design for Asia Grand Award from the Hong Kong Design Centre.

International market

Thann's biggest market is Thai market. In Asian markets, Japan is the biggest in sizes and values. Hong kong is the fastest growing with 10 new stores opening in 2012.

The fiscal year sales values in all markets were at 150 million Thai Baht in 2012. Japan was accounted for 30 Million baht with growth rate at 30% per year.

Thann currently have six collections covering facial care, body care and haircare, home spa and tea product categories, the collections are

- **Rice collection** : Rice bran oil which is selected from the best quality helping skin to recover from water loss, enhancing stability from thermal and oxidative deterioration.

- **Shiso collection:** The jewel of Japanese culinary and the unlock secret of Shiso leaf that survive in the extreme drought and climate condition would help moisture, protect and revive skin cells.

- **Aromatic wood collection:**

  Nutmeg essential oils balanced with orange and tangerine essential oils.

- **Oriental Essence Collection:** The sense of orient from exotic and comfort aromatic blend of kaffir and lemon grass essential oils.

- **Sea foam Collection:** Cool& Refreshing blend of Peppermint, Thyme, Rosemary and Eucalyptus essential oils.

- **Mediterranean floral collection** : Latest collection from calm and revitalizing essential oils from lavender and Rosemary that sooth and nourishes body spirit

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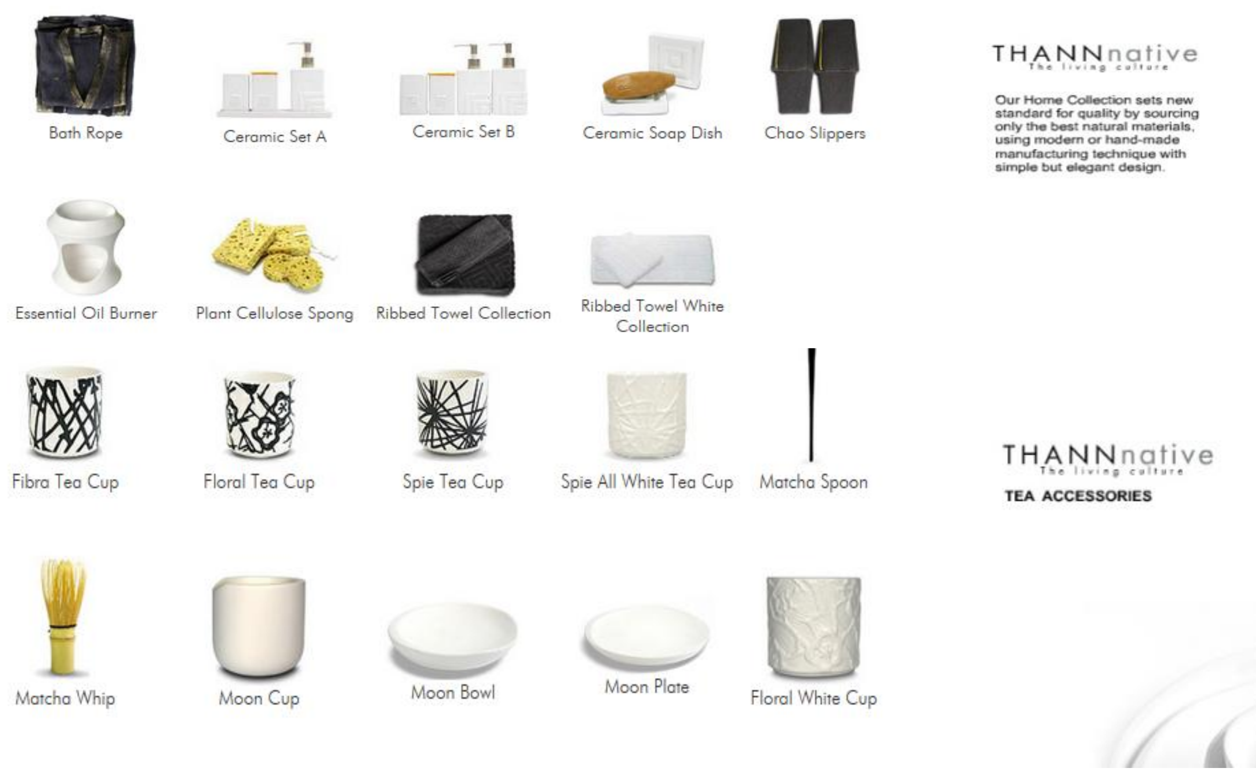
In addition to skincare collection and home spa product, Thann also sub brand ;

Thann Native: Bed& Bathroom accessories, Tea Accessories and Tea collection made by modern and hand- made manufacturing technique to be **" simple and elegant"**.



Positioning

Thann brand is not intended to be related to particular cultures and countries. Thann is presented to be "**international"** . Unlike aromatherapy products and home spa products, skincare products promoting Thailand as country of origin may not have a good impression from customers in some markets. Thann position itself as **"reliable premium natural cosmetics"** In addition, Thann wants to make the brand to be suitable with **"urban lifestyles"** .

Target customer

Target customers are those who are interested in differentiated values offered in products that go along with their lifestyles. Name by marketing manager of Thann, **"Thann people"** are health-conscious and willing to spend on products are good and natural. Thann people also have global perspectives. They like to travel abroad and experience new cultures and aspects.

When Thann does product testing, they target age group from 25-60 years old.

However, Thann are more attracted to younger customers (from 25 years old) recently because the trends of health conscious are booming in younger generation.

Marketing mix

Product

Products of Thann are developed by Thann researching teams to discover the best effective ingredients and natural derivatives formula. The product labels and promoting pamphlets will state clearly on the good effects proven by specialist and herbalists to boost up confidence for customers.

Thann does give importance on the ingredients from natural extracts but not specifically to particular cultures or origin. Thann products are differentiated from other competing brands by certification and proven test on quality. The certifications and results enable Thann to be “premium with higher prices” . At the same time, the brand tries to create emotional benefits.

Thann cosmetics products, lifestyle home decoration accessories and tea &tea accessories. Thann sanctuary Spa, Thann restaurant, Thann café are designed to create relax feeling nurtured by nature. Therefore, product packages are in mainly two basic colors, black and whites and green The design is also simply straightforward and modern.

Price

Positioning as Premium brand, Thann’s pricing is in high- end range. Price promotion will usually not more than 15% discount off the tag to keep the premium position.

Price are **more expensive than general cosmetics but still less expensive than lifestyle brands and luxury brands .** Especially Thann’s prices are more reasonable than the competing brands that are attached with cultures

In Japan, prices of Thann though is high but still **very competitive and not much expensive** comparing with other domestic brands and foreign brands.

In skin care category , prices start from 945 Yen for a bar of soap to the highest price for the face serum at 8400 Yen . In home spa category, prices will be a bit higher due to the high percentage of essential oils used in products which has almost 10% in proportion.

Source: Thann Japa

Place

Distribution channels will depend on consumer behaviors in each market. Thann marketing team will do market visit to see the location of future Thann shops. The request from Thann to foreign distributors is that Thann shops must be in the prime area as luxury lifestyle brands. The shop must also expose to **high" customer traffic".** Thann products are available in

Thann sanctuary spa

-Thann flagship store (150sqm)

-Thann concept shop (50sqm)

-Shop-in-shop: free standing counters in department stores

-Hotel amenities

-Thann online store

The customer store experience in all distribution channels must be from relaxing atmosphere. The customers will feel refreshing with trees, fresh grass and essential oil aroma.

Thann in Japan

In Japan, Thann concept shops are in ISETAN SHINJUKU, Omotesando Hills, Nishinomiya Hankyu, TOKYO MIDTOWN, Thann OSAKA MITSUKOSHI, THANN Sanctuary at Park Hotel Tokyo. Thann amenities are also in ANA Tokyo airport lounge for first class passengers and hotel and hot spring resorts nationwide.

Promotion

Than believes in PR activities. The marketing teams work hard with media in building long term relationship and word- of mouth strategy through workshops and events with media and customers.

Local media are invited at least twice years for grand release of new strategic promotion. They are invited to join new store openings and new collection launch.

PR and Event marketing strategy

With foreign media which are selected from major markets, they will be invited to participate annual workshops with Thann to see "**Thann experiences"** through corporate presentations and "*once in a lifetime experiences"* . For example, foreign media were taken to see rice planting in the rice fields and organic farming in Thailand

Source: Thann facebook page

The impression from the events encourage the media from lifestyles magazines overseas to write about their experiences with Thann brand and products.

In communicating to target customers and promoting products, Thann has been very successful in PR through traditional media. The world's known magazines have had featured Thann in products reviews. Those magazines are for example, the Wallpaper, Elle, Travel and Leisure, Esquire etc.

Customer relationship management

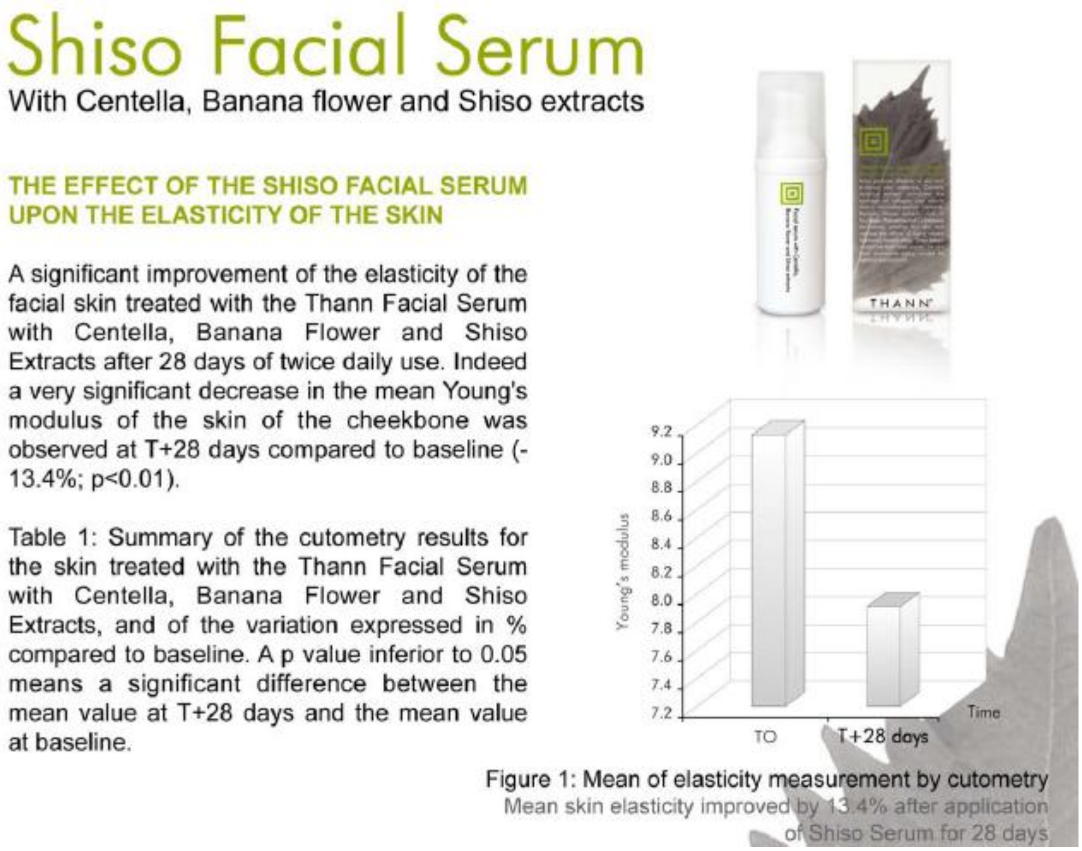
For end users and customers, they are mostly impressed with store concepts and Thann professional retail staff that give best customer services. Customers will enjoy browsing through Thann products under relaxing environment with aromatic candles . They can receive free hand massages, hot teas& snacks. Customers are encouraged to try at least one product and may receive free sample for trial. VIP customers will continuously receive benefits from workshop on body healthcare tips or preliminary trial of new product through telephone contact and facebook pages

THANN KEY SUCCESS FACTOR

Reliable cosmetics product

Having presented itself as reliable cosmetics brand, Thann have invested in product development. Products are tested and certified by global laboratory and herbalists to assure best quality and efficacy. Thann sincerely shows all ingredient information and dermatological proof for products' efficacy on labels and product catalogs.

Focusing on product functional benefits and less on sophisticated emotional benefits, Thann strategy to differentiate from other Asian brands has remained the success factor that makes the brand has regular and loyal customers all over the world.



The over expectation experiences at Thann

Thann's PR and marketing strategies are to gain more interest in the brand by having product and store experiences. The **"over expectation experiences**" in Thann products, Thann spa and Thann café are completely attracted to customers.

Thann highlights long term customer relationship and building relationship media. This is the reason that customers will visit the store again. VIP members will be contacted personally by telephone for new promotion or activities. Thann professional retail staff and all sales personnel in Thailand and elsewhere will have to participate in training in product knowledge and sales practices. The well-trained and professionalism will help building awareness in using quality and natural products to customers and best stores.

Strong partnership with distributors in international market

Distributors in major and successful markets help Thann significantly in creating brand awareness a and penetrating in international markets. Thann maintains close working relationships with all distributors. Both HQ and distributors work together on retail store design, customized marketing plan and strategy. They will make annual marketing calendars together. The sales report foreign partners must send monthly every month.

Before opening any shops, any foreign distributors will be asked to join intensive course from HQ to learn about store displays, sales techniques, product knowledge and most importantly the brand concept.

Thann has carefully selected to cooperate with foreign distributors. They must have strong networks in the markets with long experience in retails. They must also share the same attitudes and open mindness. In Japan, Thann partner is strong in vast networks of retailers. They have had connections with big travel companies, JTB which has helped them for better network in Japan.

SECTION 3: CASE STUDY COMPANY (Erb)

Pala ma Lapa Co.,Ltd by the brand “ERB” Started in 2000 , Erb has been the top names for spa products and aromatherapy products. Erb story is presented through aesthetic design of products and classy& sophisticated sensory of products

These exotic Thai herbal ingredients are used to create Erb’s signature blend that is unique in aroma and texture. Customers will enjoy the product benefits and total blissful sensory experience. Erb is now in Thailand and in 20 outlets in high end department stores, spa, salon in Europe, Asia, Australia and New Zealand.

Erb offers both functional attributes in bath& body care products, skincare products and emotional attributes in Home scents and aromatherapy products. The collections of Erb are inspired by interesting stories from Siamese royal court and indulgent botanical preparation.

The product collections are as follows

- **Seven Pollen:**   An exotic blend of pollens 100% natural formula from several Thai flowers

Eastern Treat: Comforting blend of jasmine rice and mint to balance skin and sooth away stress.

Glow again: Body care collection for dry skin to be nourished and glow from body scrub, body oil and body butter

Spice and Shine: A Thai herbal remedies to exfoliate skin for new healthy skin from Thai herbs, Tamarind, Ginger, Turmeric, Marigold.

Princess pa collection: under the royal initiation of HRH Princess Bajrakitiyabha in creating values of earth mineral from Sin-tao rock salt from Udon Thani, Thailand, Princess Pa collection is created from natural sources to gently rejuvenates and radiates the skin, encourage circulation and promote healthy balance.

Aromatique : Special and unique home scents and aroma

Target and Positioning

Erb is positioned as " ***Contemporary Thai premium skincare"***. The inspiration is originated from Siamese royal beauty regime. Erb' derived from an old Thai expression 'erb-im' which referred to the radiant glow of Thai women from eras past.

Erb brand presents the physical well-being and spiritual contentment through local herbs with state-of-art technology. The core concept of the brand is to introduce royal court recipes and rituals to bring a bliss to modern life.

Recently redesigned in 2009, Erb packaging pinpoints aspect of being "Modern Thai". Erb has wanted to the brand to be modern lifestyles brand. The brand will also be classy from exotic unique Thai contemporary concepts.

Target customers

Erb targets customers from 25-45 years old. Erb customers value botanical ingredients and self indulgent through art work and aromatherapy. They like to be connected to indulgence from scents and aroma from nature. They like pamper themselves by skincare and health remedies to embrace inner beauty to outer self.

Marketing Mix

Product

Erb products are made from natural and certified organic ingredients. The products against animal testing and chemical- free . Ingredients are sourced from naturally grown plants and herbs

Products are ***premium skincare*** and ***unique in design***. The product packaging is registered to intellectual property of Erb. The refreshed new packaging is decorated with crossing patterns of crystal beads to give the sense of glowing and Thai modern style. Erb also received awards in their packaging designs from Demark award in 2009 (Design Excellent awards).

Total sales revenue, aromatic and home spa products category is accounted for 40% followed by bath &body for 30% , hair care categories 10% and gift business (gift set) for 20% (interview)

Price

As Premium skincare, Erb's prices are higher than Thai brands but not the highest. Comparing with international brands of fragrance, prices of Erb are in the similar range. Erb customers are not constraint by high end price. They pay for their emotional bliss. Body care product starts from 2730 Yen and 4200 YEN for body serum, 6300 Yen for body scrub. For aroma products, aroma reed ot limited diffuser costs from 4830 Yen to 14490Yen depending on collection and size.

Place

Erb is in Thailand and international locations such as The UK, Japan. Products are available in home decorative sections, lifestyle section but not cosmetics sections in luxury department stores. Erb wants to create the unique image of lifestyle products. Moreover, Erb opened a new concept store, "Erb Boutique" in 2013. Customers can enjoy making their own signature fragrance from ERB Fleur fume Bar. In amenity channels, Erb is in hotel amenities around the country.

Source : Erb

Promotion

Erb does promotion through traditional media in early years to create brand awareness and get customers to know the brand. Then Erb would have supporting campaigns to convert customer's brand awareness to product purchase at the shop. Erb does PR by using celebrity endorsing the products. Also, it uses social media such as official twitter, instragram and facebook page to increase more brand awareness from customer references of products and new promotional campaign. In Thailand, the method is quite successful because Thai people are very active on social media and are more induced by celebrities, beauty guru etc.

In addition, on traditional media, the magazines that Erb selected for PR purpose will not be only fashion magazine but have to have featuring content such as home spa product review section, travel magazine, home decoration such wallpaper, ELLE decoration, Bazaar, OK! . Erb sometimes does event marketing from sponsoring museums, private dinner events, Thai apparels fashion shows.

In Japan, The product is available on Erb japan online shop. The website of Erb Japan is the way to do PR and customer reviews as well because it features customer review session that will help attract new potential customers.

Source: Erb japan

Erb : KEY SUCCESS FACTOR

Differentiated brand values and story

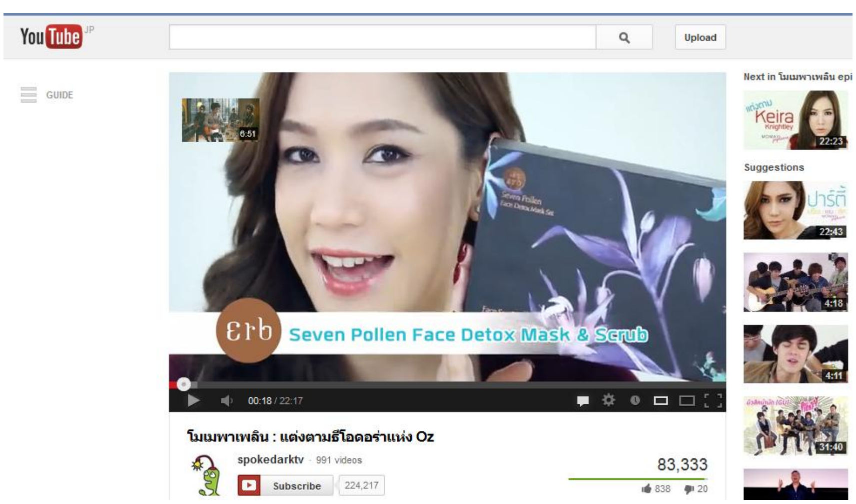
Erb is always consistent by focusing and retaining their brand concept. The identity of Erb in customers mind will have to be brand that initiated by Thai herbs and natural beauty from the royalty and high status Thai ladies.

The expertise in sensory indulgences and home spa aromatic product has made Erb on the top Thai brand in the high end market.

Presenting interesting story about Thai royalty by using Thai herbs with contemporary Thai design differentiates Erb from other Thai competitors and foreign brands.

Successful PR

Erb has gained attention from customers in general from their Pr activities. Using celebrities and high–status people in society to review products on magazine and online is very successful. Erb has tried to show that products are actually used by those people . For example, "Momay pla plearn, Thailand's most famous beauty&make up guru on YouTube did review of Erb mask and was very successful to build awareness of in Erb from her huge fans (interview)



CHAPTER V : FINDING AND IMPLICATION

SECTION 1 : EXPLORING PROBLEMS OF THAI NATURAL COSMETICS

In addition to learning from those leading brands, Authors went to interview other natural cosmetics brands to find out opportunities and challenges in natural cosmetics sales in international market. Thailand has been on among top 3 exporters of cosmetics to Japan .From the figure, natural cosmetics constitutes small percentages but it is still expected to grow. Entrepreneurs and manufacturers then need an effective implementation of strategies.

SECTION 2 : KEY SUCCESS FACTORS OF THAI NATURAL COSMETICS

Strong Branding and Story

The ability to create strong brands and establish brand position in customer's minds is vital. Thai herbal products and cosmetics will have to be attached with ``story`` apart from claiming only country of origin.

Natural cosmetics targeting high end customers is necessary to create "Perceptual process" that would influenced by not only physical stimuli (products, packages, and stores) but relationship of the physical stimuli and surrounding environment (Kotler&Keller, 2009)[17].

A reason to buy cosmetics is based on "selective retention" and emotion. They are supportive factors for consumers to buy brands that have good stories conveyed through effective messages to customers

Customers may have many exposures to many competing brands. However, for them to retain and remember the specific brands, the company must present values and unique stories to match their attitudes and interest. For instance, new tea collections aiming to capture interest of target consumers' interest in Chinese history and inspiration from travelling to China can be more attention-getting. .

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[17] Kotler, Philip, and Kevin Lane Keller 2009 . " Marketing management" . 13th ed. Upper Saddle River, N.J.: Pearson Prentice Hall,

With some themes, brand and products are more interesting than ones that do promote only the sources of main ingredients and an expert of selecting tea leaves.

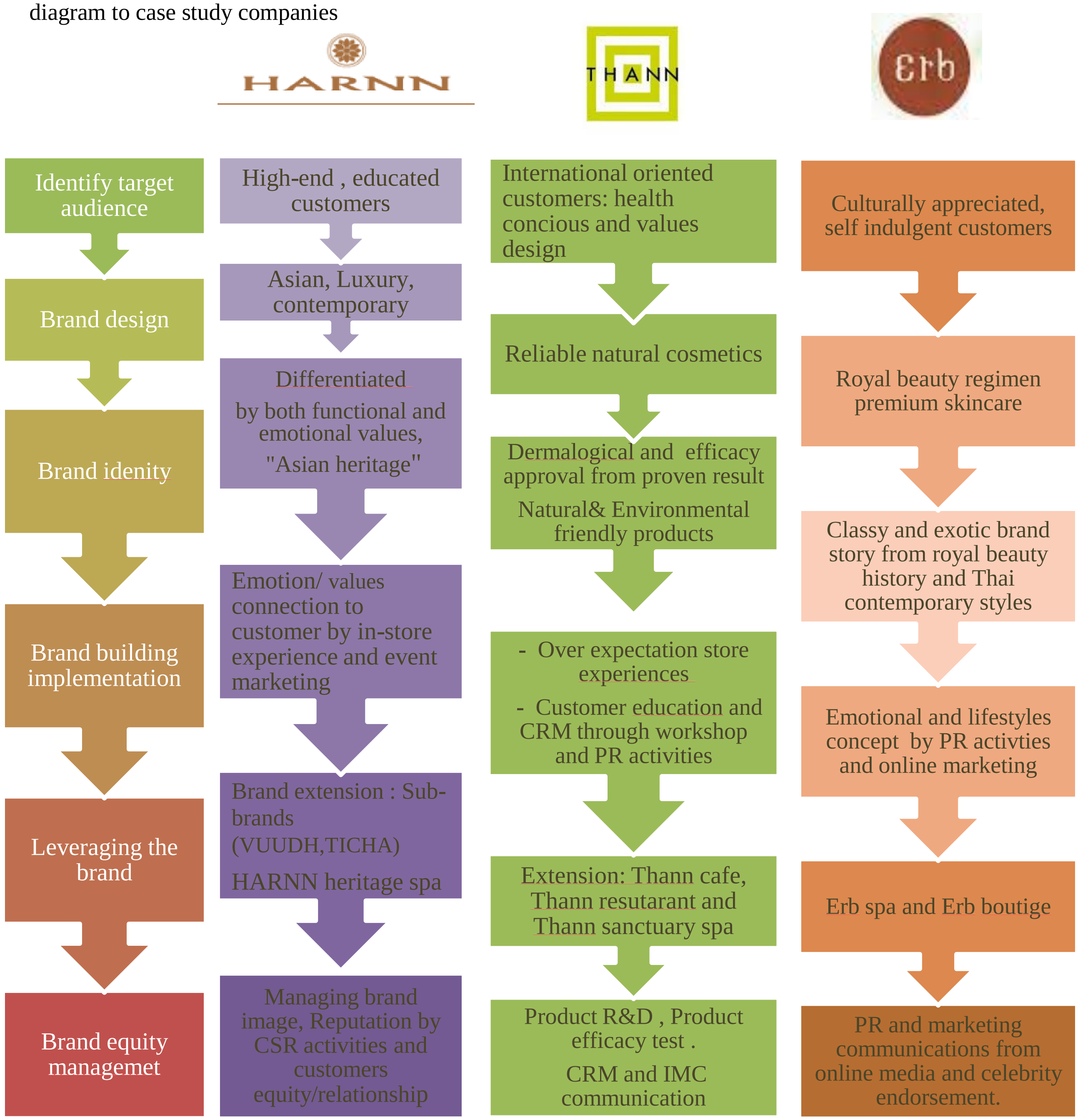
Moreover, manufactures might look for broader themes rather than limiting themselves from specific countries. For instance, they can represent being from Asian, East Asian, Indian etc.

To create strong brand, manufacturers might follow these steps in branding process.

Source :Brand Management, Srikanya Mongkolsiri (2004)

First, target customers must be decided so that next steps, the company can decide what kinds of image the company like to make and what are tools and implementation that are necessary.

At last how the company would grow and sustain the brand equity. The author would like to apply the diagram to case study companies



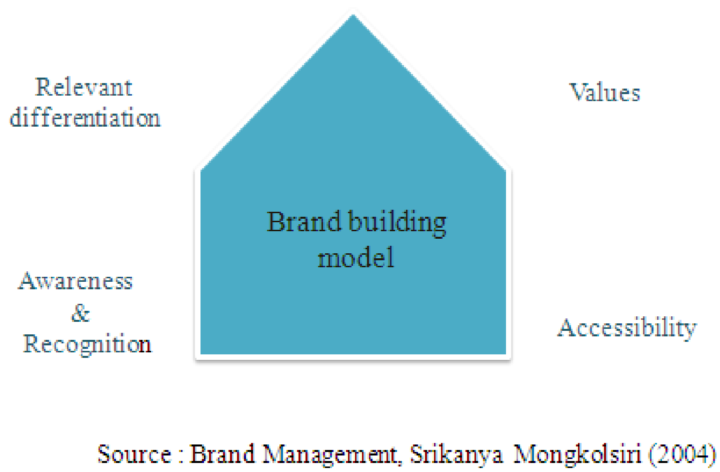
Source: Author

Brand accessibility and communication

Because natural skincare and spa products in high-end market are emotionally connected to customers, brands must also build accessibility for customers. That is to find out ways to communicate brand values to attract new customers and to retain customers who already experience brand.

Therefore, the brand building model is introduced to suggest to manufacturers to make sure that their brand building process and actions has fitted most of concepts in the brand building and emotional connection.

First, manufacturers should communicate to customers to let them know the differentiated values of natural cosmetics and luxurious lifestyle so customers will be motivated to pay for products at premium price. Secondly, the manufacturers must direct an accessibility to the brand from both outside-in (promotional media) and inside-out perspectives (press release media agencies, retailers and governmental agencies , communication to customers by direct tool)



Source : Srikanya Monkol siri Brand management

Challenges for Thai natural cosmetics

Effective distribution Channels and Professional distributors in international market are one of main problems faced by Thai natural cosmetics brands. From the interviews, most of the time, Thai brands will have problem of their channels of distribution especially in retail channel.

In Japan, Thai companies want to have products to be available solely in concept shops where customers can enjoy the exotic decoration. The shop also allows the brand to communicate messages more directly and receptively. Thai companies usually indicate retail distribution as one of the criterions. However, there are cases that later products are sold through only online store. This might prevent the brands to do brand building activity in the physical store. Distribution channel is another area needed to supervise. In addition, finding the professional distributors is key factor to grow their brand and expand recognition in the market. In the future, Thai brads might consider coming in the market by their own operation (100%) once they are equipped with understanding in the markets and practices sufficiently to manage these branding challenges and distribution challenges in Japan on their own.

SECTION 3: SUMMERY POTENTIAL STRATEGY AND RECOMMENDATION FOR THAI NATURAL COSMETICS BRANDS IN GENERAL

Thai natural cosmetics brands in general encounter difficulty in building brand and sales in international market. The recommendation based on this qualitative research from various sources is;

Product Strategy

Accurate brand positioning and market situation analysis

The competition is getting very strong each day with new players from Southeast Asian regions and existing players whose brands already hit the market .Made-in Thailand products though are still preferred and recognized, it is not sufficient to differentiate. Brand must be presented clearly. Clear segmentation and target must be decided.

Manufacturers and entrepreneurs must clarify which position their brands want to be located and what are the target customers. For example, brand might consider position themselves with prestige Thai-Indian culture and luxury through products and packages. Alternatively, brand might represent contemporary Thai northern beauty regime in their positioning.

Brand identity must be well-developed. New ideas might be inspired from " Place marketing " environmental friendly effects" " self –indulgence" and other emotional values" . Successful brands had analyzed market situation and able to rise on the trend concurrently; therefore, they were successfully able to market their products at right timing.

Customer education through media tools and marketing activities

In natural cosmetics targeting upper market, the first branding activities in early years should focus more on increasing recognition rather than RTB (reason-to-purchase). Following years then are planned for "store marketing" by drawing customers to the shops.

Building brand in early years through traditional media such as magazine ads or hiring personal bloggers to make reviews, social medias will create interest and awareness. While after customers know the brands, customers' RTB can be strengthened by CRM activities, event marketing and celebrity endorsement. Nowadays internet becomes very important channel to communicate with customers

Cooperation with relevant organizations in the industry

To cooperate with governmental agencies such as department of trade promotion, Ministry of commerce, manufacturer's associations will be a good opportunity for more effective business operation in domestic and oversea. Those organizations are one of important venue for knowledge-sharing, market trends and promotional activities through trade show or trade fair.

The governmental agencies may sometimes support new manufacturers monetarily by subsidizing and waiving fees for exhibition spaces.

Guarantee and awards for brand recognition and customer's confidence

Because of an urgent need to differentiate, product will be more positively values if manufacturers invested in researching and developing products. The products should be certified and awarded in functions and designs .The brand should own and register particular products formulas and unique features such as packaging's designs to be subjected to intellectual property. By doing so, it will be much beneficial and strengthen more unique selling points for retailers and customers.

Accurate channels of distribution and finding right partners

Reliance on distributors is still important because of their expertise in local laws& regulations and domestic market situation. Manufacturers cooperate and communicate strongly with distributors on the brand concept. This includes the physical channels that products will be available.

Training must be provided to make sure that distributors have some product knowledge and brand positioning knowledge. The store assistants or personal assistant must also be undergone training about product knowledge, main ingredients and brand story. They are frontlines to provide and maintain the impression of customers with brands.

Moreover, approvals for store decorations, pricing and pamphlets should be pre-requisite for foreign distributors before new store opening.

SECTION 4 : RECOMMENDATION FOR CASE STUDIY COMPANIES

Case study companies are already well performing in international markets. In Japan, the brands are already known to customers. Nevertheless, they need to implement more dominant actions to largely expand their customer base more potential customers and attract new potential customers.

Positioning differently from domestic competitors, Thai brands in luxury natural cosmetics is suppose to ***build more branding and connection to customers*** through customized media channels and activities.

From author's experiences to the store and from research, the brands should be more accessible to customers. The strategy must be both ***"attract" and "retain***" by customized PR or media tools.

Customer Education

Generally, case study companies still need to reinforce "customer education" as they have been merely passive in doing so. Reviewing customer feedbacks towards product experiences, the author found that Japanese are prone to know the products from their visit to Thailand.

However, in Japan Japanese customers know more about competitors than Thai brands. The competitors have launched heavy campaigns and promotions from their established branding. The use of store experiences and natural cosmetics branding have also done on competitor's side. On the other hand, the education and communications of such values from Thai brands have not been much visible in the market.

Case study brands should be more active strengthening customer education through media, event marketing in the retail stores.

They are definitely have the ability to do so with more unique features and originality of the brands

Workshop and activities in retail concept stores

Customer experiences should be highlighted. Japanese customers like to browse through and discover new products. In-store events should be good opportunities to bring in new customers and retain regular customers.

Cooperating with department stores where stores are located can be another channel to draw customers to shops. For example, total amounts of purchase with department store can receive free gifts or hand massage at the shop. Organizing events can be concurrent with seasonal promotion and gift giving customs in Japan.

Customized promotion campaign

In Japan, membership & point system is quite significant in doing promotion. The shop should apply membership systems which will encourage customers to purchase more items to accumulate the points. Redeeming awards can be cash coupon for next product purchase or free spa voucher etc.

To create more attention and encourage more purchases, reaching awards should be based on tier system. Reaching first tier will receive benefits as “gold”   members and the second tier” would be “platinum” member who will have more privilege in joining more exclusive workshops than ordinary complimentary workshop, discounts and gifts that all members would receive. The platinum member are invited to join activities on monthly basis such as making Potpourri by essential oils, How-to Home spa relaxing , Thank you party celebrating season change and receive bigger prized awards.

PR through both mass and online media

The case study brands already established Official Facebook pages and other online social media platforms. However, numbers of “Like” on the pages are very minimal only up to 100. More work should be done to increase the audience. The case studies companies must find way to expose themselves in more mass channels. Through mass media such as magazines, Thai brands can work with magazines with same audience group targets. For example, Japanese lifestyles and beauty magazine usually attach free product samples. The brand can attach quiz on health and body wellness for free gifts to be received at the store. In addition, they should sponsor cosmetics websites to do product reviews or do tie-in ads before accessing to main site.

Working with bloggers, beauty guru to promote natural cosmetics experience or Spa experiences would help increase creditability and introduce new customers because Japanese are likely to see opinions from other users and reliable guru from lifestyle related sites such as traveling, home decoration, photo sharing web pages etc

Sustaining by Brand extension

In long term plan, natural cosmetics of Thai brands of ingredient and organic constituents should be extended .Café offering organic recipe of desserts and food should be under brand extension plan. Café will target health-conscious consumers who like to have organic food and herbal dishes. Some Asian tastes from authentic Thai herbs should be signature dishes in order to capture the popularity of Thai food in Japan. By extending the brand is not only to increase connection to customers from natural cosmetics to try other different product. It is a good strategy to leverage the brands on customers' interest in natural lifestyle. Café can be the places drawing customers to try other cosmetics and home spa products.

SECTION 5: LIMITATION OF THE RESEARCH AND RECOMMENDATION FOR FUTURE RESEARCH

The research in natural cosmetics of Thai manufacturers is limited by the accessibility of the secondary data sources. Obtaining data from articles on the news, reports from trade promotion agencies, literature reviews of relevant research papers, company's materials are useful for analyzing industry and industry players to certain level. However, there are few that point out the specific content to Thai cosmetics industry and specifically to natural cosmetics.

The author had to refer to an assumption and filter information from those sources. In addition, most companies in natural cosmetics are not public companies. The information regarding their financial performances and their marketing plan activities are not stated in their published media.

Although case studies of companies and other companies in Thai natural cosmetics industry can provide more detailed information about their business operations and strategies in succeeding international market, some of insights are confidential. .

Further research will be conducted in future and more public information will be more available for academic purposes because the researchers in this field are gaining more interest. Lastly, with time and language constraint, I could not undertake the researches in some areas. If I could make it, the research will present direct opinion, voices of target customers and customers in general who are interested in natural cosmetics brands from Thailand and competitors

CHAPTER VI : CONCLUSION

Natural cosmetics are becoming new trends for customers all over the world. In Japan, special cosmetics have received growing demand in recent years. Consumer's preference is now maintaining body wellness and physical appearance. They also look for products and services that would cause less harmful effects from chemical substances or removed synthetics substances.

As a leader in natural cosmetics with main ingredients from local herbs and traditional medicines in Asia and the world's known best Spa, Thai natural cosmetics will have bright opportunity to even grow further in main markets and penetrate into new emerging market.

However, more competitions from foreign brands and local brands in main market will remain strong if Thai natural cosmetics brands are not able to offer unique attributes and create loyalty to customers. The problems for most of manufacturers from Thailand are the unclear standpoints in brand positioning and targeted customers.

Brands are sometimes not well-created and presented to customers so that they would opt out for other foreign brands that are generally received more positive impression for its country of origin. Thai natural cosmetics in Japan will be threatened by various different domestic brands and foreign prestige brands.

Therefore, it is vital to create differentiated product strategy through established brand positioning and story that would capture target customers interest from both emotional benefits and functional benefits.

Thai manufacturers should also look for channels to connect to target customers and maintaining loyal customers through effective distribution channels and PR media. Partnering with local distributors is the most important in Japan from author's interview with case study companies and all companies that are exporters to Japan.

Lastly, more customized marketing activities and in-store events should be used in order to achieve the success brand identity communication to customer by creating attention from Japanese customers and persuading to have products and retail store experiences.

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Appendix

List of participating Thai natural cosmetics companies in primary data collection and interviews

Brand	**Company**	**Participants**
Erb	Palama -lapa Company Limited	Mr. Padiyuth Chanprabhab Product Development Managers
HARNN	HARN PRODUCT CO,.LTD., HARNN CONCEPTS CO., LTD	Ms. Ploy Mahadamrongkul Brand Manager
Patawe	Prime Herb Products Co., Ltd	Mr. Supachoke Suppachumnong Managing Director
Pranali	Pranali Corporation Co.,Ltd	Mr. Pupong Suebwonglee Managing Director
Panpuri	Puri Company Limited	Ms. Athidthan Noncie Assistant Brand Marketing Manager
Sudtana	SUDTANA (2534) CO., LTD.	Ms. Manusanun Leelahongjudha Brand Manager
Sopreme	Sukapawadee Co.,Ltd	Ms. Suphakawadee Maleepun General Manager